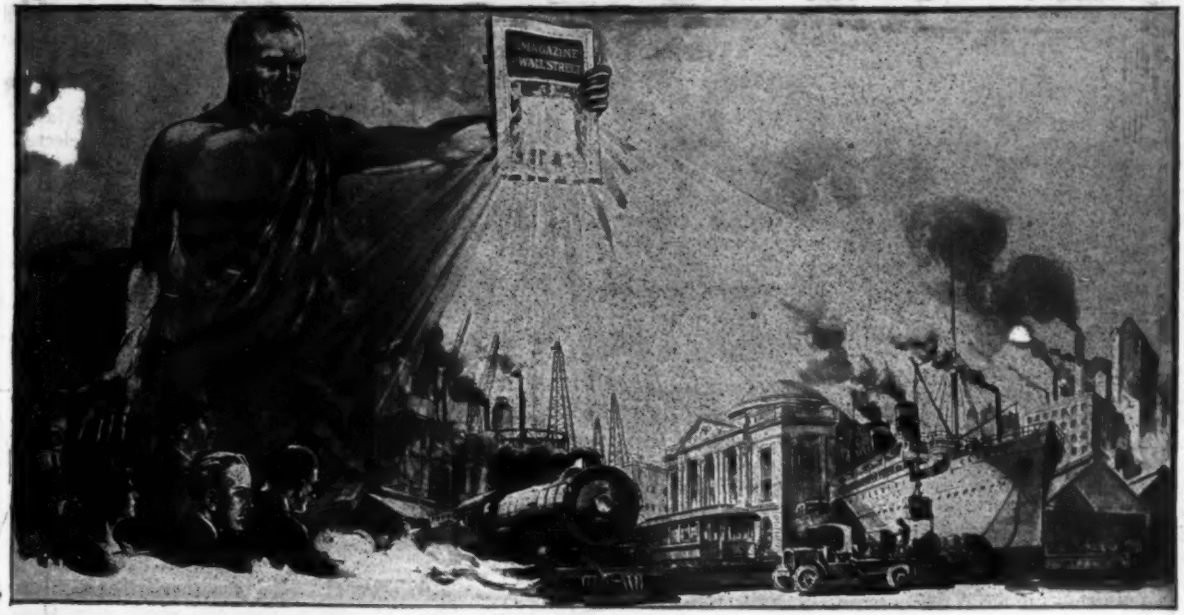


THE OUTLOOK

The Problem of Bolshevism—The Money Market Under New Conditions—Political and Business Situation—The Market Prospect

BOTH investment markets and foreign exchange rates have shown good resistance to the adverse possibilities involved in the Bolshevist invasion of Poland. Bonds have held their own and even advanced a trifle; stocks have declined but little; and while foreign exchange rates have fallen, sterling is still far above the low point reached earlier in the year.

* * *

GROWTH OF BOLSHEVISM

IT would be useless to ignore the fact that the history of Bolshevism so far is one of growth. It is said that not more than 10% of the inhabitants of Russia are really in sympathy with the Bolshevists; but if so that 10% has succeeded in imposing its policies on the country as a whole, and its army has beaten down opposing factions and is now invading another nation.

Poland is necessarily weak, after the repeated ravaging of its territory in the Great War. Its invasion of Russia was a crazy enterprise. It is indeed surprising that Poland is able to offer so much resistance against the Bolshevists in their attacks on Warsaw.

From the military standpoint it is unlikely that the Bolshevists can seriously endanger Western Europe. It is their insidious propaganda which is the threatening feature. The man who has nothing and has no hope of getting anything and who sees starvation staring him and his family in the face, is in a mood for desperate remedies. There are millions of people in Poland, Austria, and even in Germany, who are in just that situation. On the other hand, the hereditary hatred of Poland for Russia, intensified by the events of the war, will doubtless prevent a majority of the Poles from turning Bolshevists; and Germany, an industrious and highly specialized commercial nation, may be expected to recognize the difference between Bolshevism and the sort of Socialism which so many Germans embraced before the war.

With little production behind it, and with nearly all of its activities destructive, Bolshevism must wear itself out in time —but how long a time? Its early collapse has been repeatedly predicted, and in the meantime it has apparently kept on growing in strength. War-weary Europe can hardly be embroiled in another general war; yet it is evidently not beyond the bounds of possibility that England and France, in self-protection, might again be compelled to place armies in the field.

* * *

EUROPE'S PRESSES STILL BUSY

ANOTHER disturbing feature in Europe's economic condition is the steady dilution of its currencies. Germany's note circulation keeps climbing and has reached the appalling total of 56,000,000,000 marks. With this number of so-called "marks" in the field, it is difficult to see how each one can have much value.

Bolshevist money is practically worthless, as is that of Austria. Lenine claims to have destroyed the institution of private property in Russia, and he has been quoted as being quite willing to make money worthless, regarding it as a part of the hated machinery of capitalism.

The falling value of French and Italian money is best seen from the behavior of prices in those countries. In Italy money will now buy only about one-sixth as much of varied commodities as in 1914, and in France about one-fifth as much. But in nearly all countries—America, England, France, Italy, Germany, Japan—there has been a sharp downward turn in prices during the last few months, and it is hoped that further

dilution of the currency may be avoided. The most doubtful one among the nations just named is, of course, Germany. Her economic rehabilitation must be at best a very long and arduous process, but in view of the sturdy character of her population the outlook is not hopeless.

* * *

MONEY FOR CROP-MOVING REQUIREMENTS

DURING the next three months an increased amount of currency for circulation will be needed, in order to pay for and move the crops as they come to market. It is important, however, to remember that this currency can be furnished much more readily under the Federal Reserve Bank system than it could be before that system went into effect.

Under the old National Bank system currency was based on Government bonds, and therefore "inelastic"—that is, it did not expand or contract with any increase or decrease in the business to be handled with it. During the harvest season a great deal of money is paid to the farmers in cash; or even if the farmer is paid by checks, he draws cash for various expenditures which he has been postponing until his crops were sold. Formerly, since currency did not increase to meet this demand, the central banks had to send cash to the country and the amount of money they had left for other purposes was cut down. This caused a higher money rate; in fact, the fall money rate was usually about one per cent above the spring rate as a result of this seasonal influence alone. Other influences, of course, might either counteract this seasonal difference or increase it, but its effect was always felt.

Demand for currency this fall will still be the same under the new banking system, but the manner of supplying it is very different. As soon as the buyer of grain or cotton makes his purchase from the farmer—paying, let us say, in cash—he borrows from his bank and a "grain bill" or a "cotton bill" is the result. So far, the method is the same as ever. But his bank now takes the grain and cotton bills to a Federal Reserve Bank and rediscounts them, receiving Federal currency notes which have been newly issued on these very bills as a base.

In this way the crop-moving demand creates its own currency. The net result is a small decline in the Federal Banks' reserve ratio; but this does not cause any tightening of the money market unless the Federal Board decides that the ratio is getting too low and therefore raises rediscount rates.

At present the combined reserve ratio is about 44%. The legal minimum is 40% against currency notes and 35% against deposits. In view of the fact that the crop-moving demand is merely seasonal and is soon over, the Board will not be deeply concerned over a drop of a few points in the reserve ratio in the height of the movement.

Crop moving creates some additional demand for credit, as distinguished from currency—that is, more bank checks are drawn. But this is not as important in its effect on money rates as the drawing down of cash reserves was in pre-Federal Reserve days.

* * *

MONEY MARKET "STABILIZED?"

THE general feeling is that the Federal Board's policy will have the effect of "stabilizing" money rates for some months to come. Rates are now so high that there would be little object in raising them further by any more stringent restraints on rediscounting; and on the other hand the scarcity of capital and the crop-moving needs will doubtless prevent any important decline in rates.

The Wall Street money market was surprised last week by the sudden appearance of money for loaning on time—something not seen before for many weeks. About 75% of Wall Street's requirements are at present financed by call loans, which are now about 7% against 9% for time money and 8% for commercial paper. If there is any early change we should expect it to be toward slightly easier figures.

* * *

CAMPAIGN PROSPECTS

UNPREJUDICED opinion now favors the belief that Harding will be elected. If so, the influence on the market should be favorable, as a majority of investors would have more confidence in reduction of taxes by Republicans than by Democrats. At present the effect of heavy and ill-adjusted taxes is to drive capital into tax-exempt securities, at the expense of taxable bonds and stocks, which constitute the bulk of the market.

In this connection it is notable that the Supreme Court has apparently settled the question of the power of Congress to tax municipal bonds. In a recent case involving the power of Congress to tax the salaries of judges, the court expressed the view that the Sixteenth Amendment cannot be construed as extending the taxing power of Congress to previously excepted subjects, which would include municipal and State bonds.

* * *

BUSINESS OUTLOOK

WHILE the tendency of commodity prices in general is still downward, the pace of the decline is slowing up considerably. There have recently been none of those panicky breaks in the prices of individual articles which previously had the effect of bringing down the average quite sharply. The fact that bank clearings outside New York continue to exceed last year by a small margin shows that business throughout the country is still good.

There is wide-spread evidence of better efficiency of labor. The closing down of some plants and the sharp reduction in the activity of others has released labor, which soon flows to cities or industries which are still busy. It is still true that few are unemployed except those who wish to be, but the workman who has a good job is beginning to take warning that he must do a reasonable amount of work to hold it. Fewer strikes and more work are the result.

The wonderful improvement in crop conditions now practically assures us a bountiful harvest. Good progress is being made in relieving railroad congestion. On the whole the business outlook is far from discouraging, though numerous irregularities will continue to be manifest.

* * *

THE MARKET PROSPECT

THE firmness of the bond market is gratifying and we believe the trend of bond prices will be slowly upward.

Railway stocks have by no means adjusted themselves to the changes caused by the new rates and such public buying as has occurred has been lacking in discrimination. We look for a readjustment of values to the new conditions, rather than for any general advance at this time. The prospects of individual roads must be separately studied. Many second grade or speculative railroad bonds should benefit by the new conditions.

Considering the market as a whole, there has been enough buying by investors to cause a rally, but without increase in activity. The prices of many issues are now low enough to attract investment buying on declines, but so far there is no indication of any accumulation on a large scale either by banking interests or the big speculative operators. The real accumulation will come when the large interests are able to see their way clear sixty or ninety days ahead.

Tuesday, Aug. 17, 1920.

The Rumors About France—And the Facts

Adverse Trade Balance Improved This Year Already Nearly 29%—How France Is Rebuilding the Ten Invaded Departments So As to Fit Them for Repopulation—Plans for the Progressive Renewal of Her Economic Life

By **MAURICE CASENAVE, Minister Plenipotentiary, French High Commission in the United States**

The fiction of French degeneracy was so industriously spread before the war by German officialdom—whose methods are now, it is to be hoped, merely an unfragrant memory, that even the splendid heroism of the French armies has not fully erased it. A few persons there are who still ask whether it is not, after all, true that the French are improvident rather than industrious; whether their low birth-rate will not cause them to fall behind in the race for supremacy, and, more important than all, whether their indebtedness will not prove too great a burden for them to carry.

Figures rather than figures of speech, give the best answer to these questions; and the following exact information, prepared by the French High Commissioner for the readers of THE MAGAZINE OF WALL STREET, *seems to indicate rather conclusively that France, far from being ready to crawl into her economic coffin, actually is on the threshold of an industrial renaissance.*

In 1913, the total revenue collected by the French government was 1,020 million dollars. At the end of the war this had reached 1,800 millions. But the richest part of France had been invaded —a district which in 1913 had yielded 160 millions,—another way of saying that these 1,800 millions were raised exclusively by the uninvaded territory. This increase of over 100%, while not a "star" performance in comparison with the records of some other European nations, is the one used by some to make disparaging comparisons. It should be taken into consideration, however, as the National City Bank points out, that the invaded territory constituted:

14% of the French production in wheat.
47% of the French production in sugar.
55% of the French production in flax.
74% of the French production in coal.
92% of the French production in iron ore.
81% of the French production in iron.
60% of the French production in steel.
20% of the French production in tools, machinery, etc.
80% of the French production in wool products.
70% of the French production in cotton products.
20% of the French export trade.

Now, after her bitter victory, France is struggling day and night to get back in the producing class. And French thrift is proverbial. Extraordinary as it must sound, France is paying German miners to dig the coal her factories need. Steam-power, you know, counts a lot, industrially. She is also importing raw materials under most adverse exchange conditions; besides food, at double what these cost in the foreign markets. In other times these things were taken care of, almost automatically, by the returns from her Russian and southeastern investments. The war, a defensive war, cost her about 57 billion, and if she had the largest national debt before the war, it was more or less of a family affair, there being absolutely no foreign obligations.

Despite all the handicaps, France has steadily improved the adverse trade balance against her. The first six months of this year she has gotten three billion francs ahead of the game as compared with the first six months of last year, an improvement of nearly 29%. And Casenave puts it a little higher.

FRANCIS J. OPPENHEIMER.

THE recovery of France from the effects of the Great War has been the subject, during the last two years, of much controversy. The character of this discussion has varied in the expression of both confidence and doubt, in proportion to the display of sound knowledge of the French race and of France's physical and material possibilities.

A sincere doubter is a person to whom facts, above all things, should appeal. As I have facts at my disposal I believe that the mere statement of these will fill my purpose in turning doubt into confidence.

The background against which these facts must be placed is the problem which faced France at the signing of the armistice. This problem was in its main characteristics twofold: First, to make the ten invaded departments fit for repopulation. Secondly, to make the progressive renewal of economic life keep pace with repopulation.

The First Problem

The first section of our problem involved the total or partial rebuilding of 564,771 homes destroyed between the 2nd of August, 1914, and the 11th of November, 1918. **Toward this end we have completely restored 185,600 homes, erected 52,000 temporary dwellings and 17,000 new stone houses.** In these buildings have been housed 874,100 persons.

Shelter provided, the next problem was that of food. Prior to the war, the northern departments of France were self-supporting from the food point of view, but with 9,755,000 acres of land rendered unfit for cultivation by the war, we were obliged to organize a food distribution committee which undertook the work of provisioning the devastated regions during the period of agricultural rehabilitation. This period has been considerably shorter than was at first feared, due in a great measure to the hard work of the peasants and farmers themselves. **With the Government's aid they have cleared 202,900,000 square yards of land of all projectiles and barbed wire; they have filled in 156,360,000 cubic yards of trenches and have removed 18,000,000 cubic yards of debris.**

The result is that after the next harvest has been reaped, the liberated regions will be again self-supporting as regards all essential foodstuffs.

In this first phase of the problem an item of great importance was the reconstruction of all means of communication. It was necessary for us to rebuild 1,815 miles of double track railroad, and 3,500 miles of single track road, together with 1,510 bridges and culverts, 12 tunnels and 590 railway and signal stations. On the 10th of July last it was officially announce that the railways of the north and east of France had resumed operation on a pre-war basis.

The postal and telegraph services of the departments in question were in a state of complete decay at the signature of the armistice, 892 post offices and telegraph offices having been destroyed. **All but 53 of these have now reopened for business.** Communication is practically at normal.

With the resumption of railway facilities, and with the rebuilding of homes and the clearing of the fields, the population of the liberated regions which had fallen from 4,000,000 to 1,944,000 in November, 1918, gradually rose. On the 1st of April of this year it reached 3,967,603; municipal life has been resumed in 4,006 communes and villages; of 6,445 schools closed at the signature of the armistice 5,345 had been reopened in either rebuilt or repaired state buildings, or in temporary barracks. As community life became possible, the people organized among themselves co-operative reconstruction societies, 675 of these now exist, employing 150,000 workmen on reconstruction work alone.

From the above facts it can be readily seen that the final solution of the first phase of our problem is well within sight.

The More Complex Phase

The second phase of the reconstruction problem presented difficulties of solution just as great as the first, but of a more complex nature.

The machinery stolen by the Germans has, in a large measure, been returned. New machinery is being built in France or purchased abroad in face of adverse exchange and raw material shortages. Of 3,700 factories and industrial establishments employing more than 20 workmen, destroyed during the war, 2,810, or 76%, have resumed operation. The balance will get going as soon as they have received the machinery and coal on which depend their resumption of work.

The task of restoring the destroyed coal mines to a productive basis was realized as being very great and rapid progress along this particular line was not to be expected. Coal, however, has been supplied, although at great cost, to the industrial establishments which have resumed production in the north.

That the coal situation, as well as the industrial, is improving is shown by the

A FRENCH BRICK FACTORY WRECKED BY THE WAR

Lying within the battle area this plant in the Oise district was entirely razed by enemy shell fire. The picture shows but one of many important industrial works demolished throughout devastated France.

comparative production figures of the months of May and June of this year. The Pas-de-Calais mines produced 414,000 tons in May, and in June the figure had risen to 726,000 tons—an increase in one month of 312,000 tons, or 75%. In the Department du Nord, the June output of 146,000 tons was 104% greater than the May output, or 71,905 tons.

A true criterion of the industrial recovery of the devastated regions are the figures of French Exports and Imports during the first six months of 1920 as compared with those of the first six months of 1919. Imports during the first six months of 1920 have increased by 1,845,137,000 frs. Ninety per cent of this increase represents greater purchases of raw materials. Exports during the same period have increased by 5,096,436,000 frs., or about 190%. During the first six months of this year our adverse trade balance has been reduced by 30%. I think these figures prove that we have not stood idle during the last 18 months.

Government Joins In

As was proper and necessary the French Government has come consistently to the assistance of the devastated regions. During a recent discussion in the French Senate, the Minister of Finance, M. François-Marsal, gave the following figures with regard to the sums advanced to the liberated regions for purposes of reconstruction:

	Frs.
Advanced to the food committee..	4,692,000,000
Advanced to departments, communes, public institutions for the rebuilding of public works of all kinds	1,780,000,000
Advanced to sufferers of actual damage	9,308,000,000
Advanced to certain Government agencies for their maintenance and for the purchase by them of all kinds of commodities and raw materials, such as seeds, agricultural machinery, etc.........	4,372,000,000
Total sum advanced.........	20,152,000,000

I have given these figures because I propose to close this brief survey of our reconstruction work with an analysis of the budget which was just passed through both the Chamber and the Senate. Our taxation has been raised per capita under the budget law of 1920 from about $57.00 to $99.00. This extraordinary financial effort has been in a great measure made possible by our rapid progress towards complete reconstruction.

Our ordinary budget of 19,321,000,000 frs. is balanced in full by taxation. The ordinary budget includes all civil expenditures, military, naval and colonial appropriations and the necessary provisions for sinking fund and interest payments on war and regular loans. In fact, 9,400,000,000 frs. of the 19,321,000,000 frs. provided for in our ordinary budget is to be devoted to amortization, sinking fund, repayments and interest payments during the current year.

The extraordinary section of the budget consists of an item of 26,000,000,000 frs. for reconstruction purposes. This item will be covered temporarily by internal loans and by sales of Bons de la Défense Nationale.

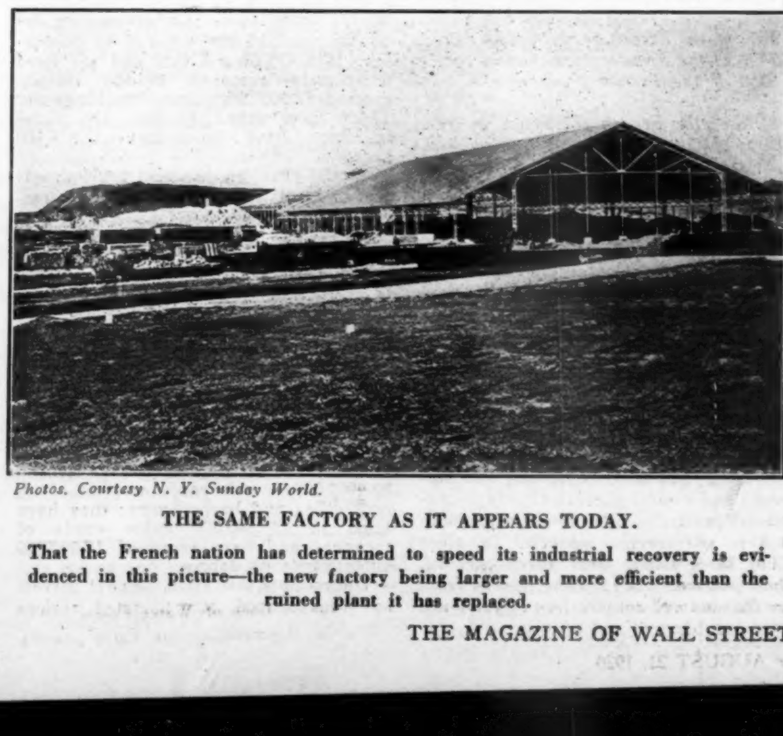
In this connection it is interesting to point out that the net sale of these treasury bonds has averaged more than 1,500,000,000 frs. per month during the first six months of this year, and exceeded 1,200,000,000 frs. during the first fortnight of the month of June. The sum of 26,000,000,000 frs. to be adavnced to the liberated regions is advanced on account of the sum due under the Reparation clauses of the Treaty of Versailles to the French nation for damage done to France.

Not Depending on Indemnity

It has been stated that France is waiting for these indemnity payments before going to work again, so that she is at present idle. The above figures prove how untrue this opinion is. Far from counting on the immediate payment of the German indemnity to which she is entitled, France is so anxious to obtain the coal necessary to her industry and commerce that *she is purchasing from Germany the coal which the latter ought to deliver to her as an indemnity, and doing so at a very good price.* During the discussion of the law permitting the payment to Germany of the sum of 1,200,000,000 frs. within six months for these coal purchases, Premier Millerand said: "Coal is the question of the hour. The Spa agreement gives us 80% of our needs at a price one-fifth less than we now pay. Let me confront you with your responsibilities. There will be not only responsibility for coal shortage just before winter, but a higher and more serious one."

The Chamber, after listening to this earnest appeal and on the recommendation of the Foreign Affairs Commission, approved the measure by a vote of 356 to 169, so that we are confronted with the extraordinary situation of France paying money to Germany to support her coal miners instead of receiving both money and coal from her.

I feel that the facts which I have set forth here are conclusive proof that France, far from being economically moribund, has already made more than a fair start towards an economic and industrial renaissance such as will astound Europe and America.



Photos. Courtesy N. Y. Sunday World.

THE SAME FACTORY AS IT APPEARS TODAY.

That the French nation has determined to speed its industrial recovery is evidenced in this picture—the new factory being larger and more efficient than the ruined plant it has replaced.

Three-Quarters of a Billion Dollars Ready for Investment Under New Water Power Act

Use of Latent Natural Power May Make America the Greatest Manufacturing Nation in the World

By U. S. SENATOR WESLEY L. JONES

HAD the Federal Water Power Act which, after a tortuous legislative career, was approved June 10, 1920, been enacted ten years previous the resultant development of water power would have found the United States at the beginning of the war with twenty million developed hydroelectric power instead of five million.

The $500,000,000 which we expended inside of two years in the erection of steam power plants because of the absence of water development is now rendered practically useless.

In addition, during the war, and since, we have had coal and oil selling at prices which have worked a hardship on our people and handicapped our industries.

Public's Interests Fully Protected

The measure which has at last become a law, is fully protective of the interests of the public and sufficiently liberal to induce the investment of capital. This has been attained only after a fight of many years, during which time, however, those of us who have been working for water power legislation have been confident that ultimately the differences preventing its enactment could be and would be harmonized. From reliable sources I have been advised that $750,000,000 for investment in water power enterprises has awaited the enactment of this legislation.

The expenditure of this money alone means the employment of much labor at good wages and a general demand for the products of many of our manufactories. Water power developments aggregating 2,122,000 horsepower, which have been held up in twenty-two states of the Union because of the absence of legislation permitting their development through fair and reasonable terms, are to be engaged upon at once.

In my own State of Washington alone there lies latent ten million water horsepower, about one-sixth of the country's total, and of this total projects which are to be started at once will develop 660,000 water horsepower.

As our waterpower resources are developed new industries will spring up to consume it.

A material factor also will be the increased agricultural production from reclamation of arid lands in cases where such reclamation can be had only through the utilization of water power. Every water horsepower now going to waste if economically substituted for fuel power would represent approximately five and one-half tons of coal per year based on an average of twelve hours per day.

The labor of one man is released for other purposes every time fifty hydroelectric horsepower is developed and every one hundred and fifty water horsepower developed releases one freight car for other duty.

U. S. SENATOR WESLEY L. JONES

WHAT SOME EDITORS THINK OF THE WATER POWER ACT

"The enactment of the Water Power Law was an achievement of the Sixty-sixth Congress which will be long remembered. In the industrial and commercial development of the West it marks the beginning of a new epoch. This part of the country, which has so small a portion of the country's supply of coal and so much potential energy in its streams, shortly will come into its own."—Seattle Post-Intelligencer.

"Within a few years we may see chemical, dye, nitrate, smelting, woolen, paper and lumber mills run by hydroelectric power in all parts of the Northwest. Mountain railroads may be electrified and arid land at higher levels irrigated. The deadening hand of the embargo on development is lifted from Oregon, and the State's long-neglected wealth will pour forth in the next decade."—The Oregonian.

"At a time when the situation as regards coal is especially acute and many industries are threatened with paralysis for lack of fuel, the adoption of a government policy that promises to open the way to a vast supply of power is of more than ordinary significance. With the application of power available under the terms of the new law, particularly where great electrical energy is developed, it is not too much to say that the country will enter upon a new industrial era, with possibilities of production that only the future can demonstrate."—Troy Times.

Varied Uses of Water Power

The development of our water powers is intimately connected with the solution of such great national problems as the national defense, extension of inland waterways, supply of food, conservation of coal, oil and labor, irrigation of arid lands and relief from railroad car shortage.

In addition to conserving vast quantities of coal and labor, the hydroelectric energy existing in our running waters will, when developed, be utilized in the manufacture of explosives, fertilizers, wood pulp and paper, electro-chemicals, copper and aluminum and in many other industrial applications. The utilization of even one-third of the enormous amount of energy latent but now wasting in our falling water would make the United States the greatest manufacturing country in the world. With the development of our water power resources billions of dollars of taxable property will be added to the wealth of the nation.

In the rivers and streams of the United States we have an aggregate of 61,678,000 water horsepower.

Federal Power Commission in Control

The Act creates a Federal Power Commission composed of the Secretaries of War, of the Interior and of Agriculture, to which is delegated authority over all matters pertaining to the development of water powers in which the federal government has jurisdiction or in which it is interested as the owner of land or other property necessary to such undertakings.

Preliminary permits allowing applicants three years in which to make examinations of water power projects, to prepare plans and to make financial arrangements, may be issued by the Commission. It may issue also licenses for a period of 50 years from the expiration of preliminary permits.

The Commission may reserve projects, the development of which in its opinion should be undertaken by the United States Government and report to Congress its opinions and suggestions regarding them. Preference must be given by the Commission to states and municipalities where it deems different projects equally well adapted to utilize the water resources of the region concerned.

The building of headwater storage reservoirs with a view to equalizing power production, preventing floods, and in arid states promoting the use of water for irrigation purposes on the lowlands after the water has been utilized for the generation of power is given encouragement. The construction of locks in power dams in navigable streams with a view to extending navigation into the upper reaches of such waters is provided for.

(Continued on page 547)

The Slump in Grain Prices

Wheat Futures Decline Sixty-five Cents a Bushel Within Three Weeks—Unusual Situation Confronting Farmers

By **H. L. NICOLET, Kansas City**

THE grain and milling trade of the United States is confronted this year with a situation which is without precedent. Present indications are that the surplus wheat of the country, instead of piling up in the terminal elevators during the first three or four months after harvest, to be hedged in the futures market and merchandized gradually during the remainder of the crop year, will be held by farmers and the marketing spread more evenly than usual throughout the year. This situation is a result of the shortage in railroad facilities and the consequent restriction in the marketing of wheat.

The conditions are clearly indicated by the experiences in Kansas City. Kansas has more wheat to market this year than in the previous cereal year—a crop of 150 million and a carry-over of 18 million bushels. Yet the July receipts of wheat in Kansas City this year were only 5,015 cars, compared with 10,253 cars in July last year, and 10,767 cars two years ago. Along with these figures is the significant fact that there was a decrease of 1¼ million bushels in the Kansas City stocks of wheat last month, compared with on increase of 4 million in July bushels last year. Similar conditions prevail to a greater or less extent at all the big terminal markest.

TABLE I.—WHEAT SUPPLY AND DEMAND.

	1920 Bushels	1919 Bushels	1918 Bushels
Crop	809,000,000	941,000,000	921,000,000
Farm reserves, July 1	48,000,000	19,000,000	8,000,000
Second hands, July 1	70,000,000	37,000,000	15,000,000
Total supply	927,000,000	997,000,000	944,000,000

TABLE II.—WHEAT DISTRIBUTION.

	1919-20 Bushels	1918-19 Bushels
Exports	225,000,000	288,000,000
Used for seed	90,000,000	100,000,000
Home consumption	564,000,000	499,000,000
Carry-over	115,000,000	57,000,000

In the Spring wheat territory the big movement does not get well under way until September, but there, as well as in the Winter wheat area, the car shortage will limit the movement so that terminals will not accumulate much wheat, and the surplus will be held on the farms, to be marketed as cars can be furnished.

Winter Wheat Usually Marketed Early

In normal years more than half the total Winter wheat crop which moves to terminals is marketed in the first three months of the crop year—July, August and September. A still larger proportion moves from the farmers' hands, much of it lodging with country mills and elevators. That leaves only moderate supplies to be marketed leisurely by farmers in the remaining nine months.

The practice of farmers varies. Some of them like to get cash for all or most of their wheat as soon after the harvest as possible. Others stock for later threshing or store threshed wheat from varying motives—lack of time to market it at once; a settled policy of hauling to market when there are no more pressing labors to do; marketing as they need money; holding in expectation of higher prices later in the year.

This year thousands of farmers will hold because they cannot do otherwise. Country elevators generally are full and the buyers at country stations can take in wheat only when they can get cars to ship it.

Many times in past years, when prices were low, efforts have been made by leaders of farmers' organizations to create a widespread "hold your wheat" movement, for the purpose of making a scarcity and putting up prices at terminal markets. Such efforts never have made any impression on the customary marketing of wheat. This year the car shortage has created a compulsory holding of wheat on the farms.

Strain on Credit Will Be Less

The situation will be a help to the money market. Wheat stored in elevators is generally carried on borrowed money. With no accumulation in the large markets, bankers will not be called on for the funds usually used to carry wheat.

Stocks of wheat at terminal markets increased from 5 million bushels July 5 to 95 million bushels at the end of October last year. The accumulation was still greater two years ago. Wheat thus accumulated means a demand for around 200 million dollars of loans from banks, at the maximum point. This year it looks as if there would be no important accumulation at the terminals.

It might be supposed that the absence of important supplies of wheat in sight would have a strengthening influence on prices. Ordinarily a small visible supply stimulates bullish sentiment. This year, however, with known liberal supplies back in the country and pressing for sale whenever cars are available, and with millers and elevator men content to keep wheat moving rather than pay high interest and storage costs, it is doubtful whether the lack of accumulations at terminals will be an important market factor.

The resumption of trade in wheat for future delivery after three years of suspension has not been a success as a stabilizing influence on the market. Prices have fluctuated violently and the future prices have persistently remained so much below the cash value of wheat that the trade in futures has been little help to cash grain handlers as a means of hedging and thereby safeguarding their operations against wide and sudden price changes.

The futures market started July 15 with December wheat $2.70 in Kansas City and $2.75 in Chicago, 10 to 15 cents under carlot prices. A decline started immediately and there was no important halt until future prices had fallen about 65 cents by August 2, cash prices in the meantime maintaining large premiums. Since then

(Continued on Page 577)

Rail Valuation Report Ready By December

C. A. Prouty, Director of Valuation, Confident That Many Obstacles Will Be Overcome—Expects Carriers Will See Wisdom of Accepting Commission's Figures

THE recent increases in railroad rates granted by the Interstate Commerce Commission are but tentative after all. They expire on March 1, 1922, by which date it is hoped to have on hand a rather complete report from the director of the valuation of the railroads. From these figures it will be learned whether the railroads are earning too much or too little on the new rates and a readjustment may be expected corresponding to the disclosures in the report.

This valuation and adjustment report has been looked for for some time, having been in process since 1914. Its publication is awaited with eager interest by the carriers, who recognize that not only is the report vital to their welfare, but likely to stand even though they may not agree with its conclusions.

The law says that the report shall be in by December 31, 1921, at the latest, but some doubt has been expressed as to whether it can be completed by that time. In this connection, C. A. Prouty, director of railroad valuation, when questioned by a representative of THE MAGAZINE OF WALL STREET, said:

"I am quite confident that the report on the tentative valuation will be in by December 31, 1921. Of course, there will be some odds and ends left to look after, but I can say definitely that every road at least 500 miles long of every section of the country will be reported on by that date."

"There is some criticism over the long delay in the filing of the report," remarked his interviewer, "and there has been hope that the valuation figures would be accessible long before the present time. What has retarded the work?"

Many Difficulties Encountered

"We have met with wholly unexpected difficulties," answered Director Prouty, "which have accumulated rather than grown less. The delay has been mainly in the accounting field, the demand for expert accountants largely exceeding the number available. Federal operation of the railroads largely increased the demand for railroad accountants. In addition, there have been the corporate and private roads which had to be supplied.

"It is the same with engineers. A great many new activities seem to have come into existence since the war requiring engineering ability and our engineers have been leaving our employment at a discouraging rate. For example, the state of Georgia, which recently set up a highway engineering commission, obtained one of our leading men to take charge of their engineering branch, and that man has taken with him a number of our best men. They pay them as much as $50 and $100 a month more than we paid them.

"Though we have raised our salaries somewhat and have had to offer larger salaries to green men than we were paying the men who left us, we still have great difficulty holding our men, and when we lose them they are gone for good.

"We had not expected this sort of thing, and it has retarded our work immensely. For example, although the field data on the Big Four road has been in for months, I am unable to make a report, because of my lack of accountants.

Takes Long Time to Train New Men

"The handicap resulting from the constant shifting and changing of our personnel becomes more apparent when it is remembered that practically all our work

CHAS. A. PROUTY

is highly specialized and requires a long apprenticeship. A computer is not good for anything until we have had him from three to six months. Besides the physical difficulties involved, the continual process of losing old men and hiring new ones influences the psychology and morale of the workers. There is more to valuation than just mere figuring and tabulating.

"However, for all our troubles we have largely completed our field work in the engineering section and our track and road work, except in the eastern section. In short, we are 'worrying along,' and though conditions may change from time to time, the work is so well in hand now that it seems certain that we shall have it finished as a general proposition by the end of 1921."

The cost of the valuation and the future regarding it were discussed next with Director Prouty.

"The cost of the valuation to the Federal Government," said the director, "will be about $20,000,000. We asked Congress this year for more than $1,750,000 to carry us along during the year ending in June next, but it was decided to grant us only $1,750,000, leaving any deficiency to be met in the general deficiency bill which is passed at every session. I expect that we will need about $2,000,000 more to finish the valuation.

"I might say here that the report would probably have been greatly accelerated and would have cost a good deal less if the law authorizing the valuation had not required so much detail to be reported upon. A great deal of the data we have been forced to gather will be of no use to any one."

"How much will the railroads have spent in making their concurrent valuations?" the director was next asked.

"I would not undertake to say," he replied. "They have been at liberty to spend as much or as little as they desired."

Valuation Branch to Continue

"Will the report wind up the valuation department?"

"No. The Interstate Commerce Commission is required to keep this valuation good, which will, of course, necessitate a permanent organization. I estimate an expenditure of from $300,000 to $500,000 a year to do that."

"Then, you know," the director went on, "that the law provides that when the commission has completed a tentative valuation, it shall be served on the carrier and a carrier has a right to file his protest within 30 days. There is a hearing on that protest and in hearing those protests the commission does precisely what it does in hearing rate cases. It selects an examiner, sends him into different parts of the country and an examiner hears the testimony. It is my judgment that the commission would spend as much money for work of that kind growing out of these valuation proceedings as they spend for their other examinations. Of course, the carriers can keep on appealing indefinitely if they want to, but that would be unlikely.

"There is a difference now of $1,140,000,000 in the carriers' valuation of their own railroads, and that accepted by the Interstate Commerce Commission as a basis for making the rate increases. The Interstate Commerce Commission obtained many of its figures from us. I imagine that the managers of the railroads will be more eager to get money from the new rates allowed than to postpone their receipts by valuation protests. I think that most of them will be content to accept our valuations as the most sensible thing to do, however much these valuations may disappoint them."

Foreign Trade and Securities

China's Struggle Against Starvation

Chinese People, Supposed to Be Neglecting Vast Natural Resources, Are Actually Struggling to Eke Out an Existence by Planting Every Inch of Fertile Soil

By **JOSÉ BORNN, JR., Foreign Trade Editor, *The N. Y. Evening Post***

TO conclude, as many seem to have done, that the "Far Eastern Question" is settled now that the new consortium for China has been successfully arranged is to conclude a task accomplished when it has only been resolved to undertake it. As Mr. Thomas W. Lamont, of J. P. Morgan & Co., who represents the American group in the Chinese Consortium, pointed out recently, "We must remember that the formation of the consortium is but the first step in a long and arduous pathway."

For more than half a century the foreign powers in China, with the single exception of the United States, have vied with each other in none too friendly fashion for the creation of their own separate and exclusive spheres of influence. This rivalry, which grew constantly more intense, led in a number of instances to neglect and even to abuse of the best interests of China; it engendered between the several nations concerned a bitterness of feeling which, with constantly recurring frequency, presented the possibility of breaking out into armed conflict. Thus was progressive development in China retarded because of the conflicting aims and ambitions, the distrust and misunderstanding on every hand.

To supplant this destructive rivalry with constructive co-operation between the foreign powers on the one hand and China and her municipalities and provinces on the other, and to render impossible the development of "spheres of influence" as well as to eliminate those already existing, is the avowed purposes of the new consortium. The policy to be pursued has been formulated in accordance with the enlightened selfishness of the present day. It recognizes that the several powers will benefit in direct ratio to the benefits China may derive from the consortium. It purposes to serve in the individual and collective interests of the consortium nations by serving first and well the best interests of China. Though it has a wider scope than the old one, formed in 1908, the present consortium does not aim to concern itself with general enterprises in banking, industry or commerce. According to Mr. Lamont, its activities will be confined largely to those basic industries and undertakings, such as transportation, public utilities, and currency reform, which will "serve to establish sounder economic conditions throughout China and thus form a firmer foundation for the encouragement of private initiative and trade."

China's Commercial Centers Progress

During the war and since there has been an appreciable advance in private initiative and trade in certain of the great commercial centers of China—notably Shanghai, Hongkong, Peking and Tientsin. Not only has there been a marked increase in the number and extent of local industries, an increase occasioned by the preoccupation of the warring nations of Europe from whom China formerly obtained the bulk of her supplies in manufactures, but the demand and the prices obtained for the commodities and raw materials which China exports has brought to those of her people sharing directly or indirectly in this trade a prosperity hitherto practically unknown.

Combined, these factors have substantially increased the purchasing capacity of a large number of Chinese in the centers affected. This fact has made itself manifest in the greater variety as well as the larger quantity of goods being bought from the United States and other countries. Textile and other industrial machinery, typewriters, office equipment, household and builders' hardware, phonographs, automobiles and farm tractors, all have played a part in this trade unequalled in former years.

All this, however, while true enough, does not hold the significant promise of fabulous markets throughout China waiting to be exploited by western manufacturers which some commentators on Chinese economics would lead us to believe. While it is true that there has been remarkable progress made recently in the large trade centers and even that the modernizing influences of this development have radiated from these centers to some extent, it must be borne in mind that the great interior of China, where upwards of 325,000,000 people eke out a bare existence by the cultivation of literally every inch of available soil, continues in its age-old rut quite untouched by the hand of progress. The purchasing capacity of this great majority of the people of China has not been increased and is, in fact, practically nil so far as foreign goods are concerned.

Industrialization of China is generally accepted as one of the most practical means through which to raise the purchasing power and the living standards of her people. Chi Chen Nieh, president of the Chinese Chamber of Commerce, speaking recently at a dinner given in his honor in the Bankers' Club of New York, mentioned this feature of the situation. "If you would develop the Chinese buyers," said Mr. Nieh, "you must develop their industries." He pointed out that whereas in the United States the average person spent $50 a year for clothing, in China the average was $1. He added that for purposes of illustration that if this expenditure per person in China were increased to $2 a year, the total annually spent by the Chinese people would be greater than the value of the annual output of our New England textile mills.

Intensive Soil Cultivation Necessary

Industrialization in China, however, on a scale large enough to affect materially the aggregate Chinese purchasing capacity would be neither desirable nor possible until more modern methods of soil cultivation had been introduced. At present if more than the merest fraction of the tillers of the soil in China were withdrawn from their regular occupation it is more than probable that a menacing shortage of food supplies would develop. As a prominent international banker who returned recently from a three months' trip through the interior of China put it, "China seems always just one jump ahead of starvation," in spite of the constant and painstaking soil cultivation on the part of 85 per cent of her population. He even went so far as to wonder, whimsically, whether perhaps it was not after all a merciful providence which provided an infant mortality rate in China of from 70 to 90 per cent. If the thoroughly praiseworthy efforts to reduce infant mortality put forth by the various missions throughout even the remotest parts of China should suddenly and miraculously meet with success it is thought that the food supply, in a very short span of years, would be wholly inadequate for the increased population.

The industrial development of China, therefore, must await, as already has been pointed out, her agricultural development along more effective lines. With the methods now in use, the same that have been used for perhaps thousands of years, it is not possible for one person to produce much more than he himself requires. Thus not simply the production per acre of land, but the production per man power has got to be vastly increased before any substantial progress can be made in the task of raising the living standards and the purchasing capacity of the people of China as a whole.

Progressive American manufacturers, bankers and exporters, realizing that if any practical assistance is to be rendered China in this respect a working knowledge of agricultural conditions as they exist there today must be obtained, have set out to study the situation in all its aspects. What they have found sometimes has been discouraging, sometimes promising, but always they have realized that until China is brought up to something more nearly

approaching the level of economic existence in the western nations her great potential buying and selling capacity will remain dormant. Believing firmly in the ultimate profit both to themselves and to China of their efforts, they have continued steadfast to their purpose.

What the Americans Found

They have found great sections of the interior of China to resemble, except for the almost complete absence of forests and underbrush, the plains of our southwest. The forests and underbrush, it was explained, had been cleared away ages ago to make room for the growing of foodstuffs. There were no fences. The soil on the plains was deep, but on the mountains and hills, with no protecting forests, it had been washed away to bedrock. There was thus no vegetation on these mountains, except in the ledges and along the lower portions where sufficient earth remained to afford a patch of garden or wheat land.

It was found that every foot of land was under cultivation, intense cultivation as the Chinese know it. Though the roads, through long usage, have been cut down into the ground as much as fifteen and twenty feet and are very narrow, filling with water when it rains, every inch of ground along their sides and even parts of the embankment in places are under cultivation. There is no waste of land where seeds will take hold and grow.

The wheat fields in China are extensive, but seldom is more than one acre owned by any one farmer. His one acre he and his family cultivate industriously, according to their means. Their methods, however, are at the most primitive and ineffectual. A crooked stick, for instance, serves for a plow. This contrivance, drawn by a steer and a donkey, the steer doing the pulling and the donkey acting as the guide, does little more than scratch the earth.

Chinese Throw Nothing Away

Steers in China are the beasts of burden, and when they die, even though it may have been from disease, they are eaten. The skin is used, the horns and hoofs are used, and that which is good for nothing else is ground up and applied to the soil for fertilizing purposes.

There is no waste. Contrary to the popular belief China is a clean country—clean because she literally cannot afford to waste anything, not even refuse. Waste matter of every description is gathered by scavengers and sold for one or any other of a variety of purposes. A great deal of it goes to the farmers for fertilizer. Even loose dirt is swept up and carried to the farms. Stray roots, wheat or fagots are gathered and stored by the farmers for winter fires. Every detail relating to agricultural life in China indicates ineffective methods and a frantic struggle against actual want.

There is good reason to believe that some day the small general utility farm tractor will play an important part in the agricultural activities of China. But it is a mistake to assume that that day is close at hand. It must be preceded by the more simple agricultural implements of western civilization. Because of the small size of the individual farms in China it is not believed that the larger tractors and harvesters such as are used in certain parts of this country and Australia ever will have a very extensive demand from the Chinese.

Photo, Brown Bros.

A VIEW OF TIENTSIN

This is the largest business center in the metropolitan province of China. Situated at the junction of two rivers and connected with three of the principal railroads, valuable cargoes of tea are loaded here for transportation to the interior and to northern Russia.

The task of teaching the Chinese farmer the use and advantages of the simplest of our agricultural implements already has been undertaken, and with quite conspicuous success in a number of sections, by missionaries from this and other countries. This feature of the missionaries' activities was the outgrowth of the necessity which they found of having an entering wedge to the interest and attention of the people in the new districts they went to. Arriving in a locality for the first time, they would arrange for public demonstrations of their plow, for instance. It was found that this invariably attracted a large gathering from the surrounding country, that it established the missionary in their eyes as a man of practical knowledge who could help them in their affairs and that it created for him an influence which otherwise he might never have attained. Furthermore, it served an educational purpose of the very highest sort, the introduction of such implements tended to better the condition of the people and incidentally it was the source, through small sales commissions, of revenue to a work which never has been oversupplied with funds. An invaluable service is being rendered by these men, both to the people of China and to the manufacturers of the western nations whose products they introduce so far more effectively than the manufacturers themselves could afford to do. It is by this means, more than by any other, perhaps, that the most effective start will be made in increasing the efficiency of the Chinese farmer and releasing workers for other and probably more remunerative employment.

Innumerable Dialects Impede Progress

It is generally felt that one of the important factors which has contributed in the past to the backwardness of China from the standpoint of western civilization has been the difficulties of intercommunication. Because of the great variety of dialects in China—each one so different from the other as to render native Chinese in adjoining districts practically unintelligible to each other—each district has been in a manner as isolated as though its people were marooned on an island. The recently evolved Yin Tzu-Mu, or simplified national phonetic writing, however, is expected to mark a great step forward in this respect. It will make intercommunication relatively easy for the first time in the history of China. Moreover, this new writing is making it possible for the Chinese to avail themselves of the typewriter, the manifold advantages of which previously were denied them because of the extreme complication of the old Chinese written language. The new national phonetic writing is based on 39 symbols, whereas the old Chinese written language was composed of, roughly, 40,000 characters. The fact that this latest attempt to simplify the Chinese written language is purely the product of Chinese minds rather than, as in all previous attempts, of foreigners, is thought to augur well for its success and permanency.

The really educated Chinese, those who have graduated from foreign universities, of course have no difficulty in communicating with each other. They are quite as skillful with either pen or typewriter as we are, and use English, it must be confessed, far better than most of us. These men, however, profess little faith in the permanency of the new writing. They point out that many attempts have been made before, hailed enthusiastically at first, then that interest would begin to lag until finally the proposed change would be relegated to the historical records of a nation that has survived thousands of years without change.

It is only logical, however, that the Chinese race, like all others, eventually will find a simplified way to communicate with each other. Other Oriental writing once was complicated, and even the Occidental writing was far worse once than it is today. Also, the large number of Chinese who are being educated abroad and who are coming to see the advantages of a simplified writing, the example of Japan's progress and the teachings of foreign missionaries and business men must very soon have some effect on the mass mind. A great many authorities on China regard it as a mistake to prophesy failure for this latest, and native, effort toward simplification. Should it succeed the benefits to the business men of both China and the Western World will be incalculable.

A League of Commerce

Organized in Paris to Regulate Would Trade Practices—Plans Put Forth by International Chamber of Commerce for Standardizing Credits, Exchange, Etc.

WHILE the politicians of the world are hesitating in the reconstruction of civil intercourse destroyed by the war, Big Business, through its International Chamber of Commerce, has just about completed a thorough-going, constructive program to untangle the snarls in money exchange, credits, natural resources, port facilities, etc. While these delegates carry with them no mandate, and will have little opportunity, or rather, no power, to negotiate any legislation or agree upon anything that will bind their respective countries, yet, representing the leading commercial organizations of the world, their influence is bound to make itself felt more and more all the time.

With regard to the credit situation, it was "resolved," that "the President and the Board of Directors be urged to appoint a special committee to study the advisability of establishing a foreign credit interchange bureau upon a reciprocal basis with such countries as may desire to avail themselves of such services for their exporters and the future development thereof." These assembled delegates were also of the "belief" that it "is the duty of sellers in all countries which fought together as allies during the war to do everything consistent with business principles to extend to the very utmost credit facilities to buyers in the allied countries during the period of reconstruction."

The attention of the conference was drawn to the existing inequality of treatment accorded to foreign banks under the laws of the various nations, and a suggestion was made regarding the desirability of seeking practicable amendments to secure the advantages to be gained by reciprocal privileges.

Although the Chamber acted upon a number of proposals submitted to it, the real purpose of the meeting was to set up the organization of an international body. This was accomplished by unanimous action, and the Chamber launched with the impetus of general agreement behind it.

Temporary headquarters have been established at 33 rue Jean-Goujon, and it has been decided to hold a meeting of the Chamber in London in 1921. As a matter of fact, the first meeting of this International Chamber of Commerce was held in this country, Atlantic City, last September, and which nearly five hundred delegates, from Great Britain, France, Italy and Belgium, attended.

The economic situation was discussed in the various countries participating in the convention, and at the conclusion of this discussion the convention expressed itself as insisting that agreements should be made between the Allied governments for the purpose of avoiding a double income tax on imports and exports, "it being understood that the countries to which individuals or companies belong have the right to ask the payment of the difference between the tax paid and the tax imposed in that country." The Directors of the International Chamber are authorized to try to obtain this legislation.

As regards the possibility of eliminating unfair competition between the different countries, the Chamber resolved: "That the Congress expresses the wish to see, amidst the first acts of the International Chamber of Commerce, the creation of an appropriate body with each national bureau, under the direction of an organization of a similar nature attached to general headquarters." The duties of these judicial bodies will be to study questions of unfair competition, industrial property, trade marks, names of origin and misleading indications and thus prepare the work to be submitted to the general meetings.

The general meeting voted that the International Congress regards the reconstruction of the devastated regions of France, Belgium and Italy as the most urgent and important question, to be pressed forward with no delay. The Congress also took note of the failure of Germany to reduce her army and armed forces other than regular troops to the level required by the Treaty of Peace; it also "took note" of the failure of the Germans to deliver the amount of coal and other supplies which they undertook to provide, expressing the opinion that the Germans have not as yet given any evidence of an honest desire to honor their signature to the Treaty of Peace.

As regards reconstruction and raw materials, it states that, whereas the reconstruction of the devastated areas in allied countries will require the importation of great quantities of raw materials; and further, large importations will be needed by the undestroyed portions of such countries which were formerly supplied either directly from devastated areas or through the proceeds of exportation from such areas; and whereas this abnormal situation has, of necessity, turned the current trade of such countries against them, which has resulted in a great depreciation of their foreign exchange rates, and whereas such depreciation of exchange interferes seriously with the importations to such countries, particularly from countries across the sea, and because of violent fluctuations in exchange with foreign trade between such countries, and whereas the only effective means of correcting the depreciation and wide fluctuations in exchange lies in removing the cause for such condition, that is, by a return to normal relationship between exports and imports, and whereas it is to the interest of all nations to have such unnatural barriers against the world's trade removed, it was resolved

That the International Chamber of Commerce request government and banking, commercial and industrial associations and bodies in all countries concerned to co-operate with it and with each other where possible along the following lines: to reduce the importation of non-essentials into countries with depreciated exchanges; to increase the exportations from such countries, giving many reasons how in its wisdom this could be accomplished.

With regard to Money and Exchange a special committee was organized to study the respective situation of each of the respective countries from an economic and financial point of view, with a view to determining the actual value of the money in such countries, and to study those steps to be taken in order to restore a better rate of exchange, as well as its stabilization.

Recommendations were also made to the effect that the allied countries bring about a simplification of customs, dues and regulations, by the adoption of a common nomenclature and the establishment of a technical commission for the purpose of devising means of unifying the customs' regulations of the allied countries; that complete and reliable commercial information, so necessary to international trade, may be available for all interests and all countries, the Chamber took steps to establish a central bureau of international statistics for the purpose of "collecting, centralizing, analyzing, and interpreting statistical information for the business interests of the world." A statistical bureau was also planned to make surveys of the natural resources of the various countries and to devise ways and means for their proper utilization.

Recognition was also given to the importance of adequate port facilities in world commerce, the Chamber pointing out that port congestion had not only slowed down the currents of trade, but had also contributed largely to price levels prevailing everywhere. It was also voted to make uniform shipping terms and quotations of the various countries and to modify sales contracts, and in an endeavor to bring this about, the Chamber plans to issue an *International Dictionary of Shipping and Quotation Terms.* The Chamber, strange as it may seem, took the position that ship subsidies were sources of evil, recommending their abolition.

SWITZERLAND'S H. C. L.

Figures prepared by the Swiss Union of Retail Food Societies covering expenses of a family of five, having an income of $386 before the war, compare as follows:

Items.	1912.	1920.	Increase Since 1912, Per Cent.
Household expenses (food, heat and light)	$203	$473	132.8
Clothing	35	83	140
Rent	65	105	60
Other expenses	50	89	80
Total	$353	$750	112.5

The World's Business

Effect of Irregularities in Exchange Rates on American Exports—Italy's People Prosperous—German State Invading Industry

CANADA RESTRICTS TRADE TO U. S.

OF all the problems heaping on American business as an aftermath of the war perhaps none is so oppressive and difficult of solution as the irregularities in foreign exchange rates.

The situation is aptly illustrated in Canadian-American trade, where an adverse discount of from 11 per cent to 15 per cent has, within recent months, begun to threaten Canada's imports from the United States.

The American consulate at Nova Scotia states that the effects of the adverse exchange were not serious until late in 1919. At that time, a sharp rise in the discount occurred and Canadian buyers in the United States, were, in some instances, caught with goods ordered earlier from American factories and sold in Canada, thereby suffering heavy losses.

The immediate result of the change in affairs was the natural one: Canadian merchants began canceling American orders; and discrimination against our products was increasingly exercised, developing finally into a "Buy in Canada and Only Canadian Goods" campaign.

The other side of the problem, that of Canadian *exports* to the United States, was, of course, as much in the favor of Canadian businessmen as the import problem had been in ours. Canadian merchants invoiced their products in American money, thereby securing their usual profits plus the exchange.

The two developments—reducing exports to Canada and increasing imports from that country—make up a pretty unpleasant combination for American business to face; and, although the condition is, perhaps, not so exaggerated in our dealings with other countries, it is nevertheless sufficiently universal to deserve serious consideration.

For the American investors, however, there seems to be a silver lining to the cloud. He has before him what amounts to a positive assurance that the efforts of such countries as Canada will be concentrated on any program calculated to restore normal exchange relations. Barring political complications, which are certainly only passing factors and not fairly to be considered of lasting significance, it seems that he is justified in assuming that, sooner or later, something closely approaching the old balance will be restored. Meanwhile, he has the opportunity of purchasing foreign securities at a very considerable discount from normal and, providing only that he exercise judgment in his selection, good reason to expect a handsome profit in the end.

That is why Canadian brokerage houses and banks with branches in the United States are doing a land-office business.

PROSPERITY OF ITALIAN PEOPLE

IF advices to the Department of Commerce are any indication, individuals among the European nations are equipped to sustain their Governments financially quite as well as we. Trade Commissioner H. C. MacLean, writing from Rome, agrees with the theory that, while European Government finances have been seriously embarrassed as a result of the war, both individuals and corporations have profited and that on a substantial scale.

> **The notes contained in this department are submitted to our readers as interesting sidelights on the revival of business in foreign countries.**
>
> **Although the effort is made to present only such material as may be turned to the direct advantage of the American investor, it should be remembered that developments apparently having little present relation to security prices may be of great importance in the long run.**
>
> **This department will appear in future issues of the Magazine, and any additions to it or improvements of it which our readers may care to suggest would receive our best consideration.**

Mr. MacLean states that with the inevitable exception of the salaried workers (the losers all around, it seems) all classes in Italy are far better off than before the war.

Mr. MacLean is further inclined to believe that the classes in Italy have paid off the greater portion of their debts. He cites the increased bank deposits as the best evidence of this fact, ordinary deposits in June, 1914, contrasted with the same item in June, 1919, having increased from 1,491,170,560 lire to 3,567,426,189 lire, while savings deposits rose from 6,000,548,747 lire to 13,586,086,947 lire! (It should be noted in this connection, however, that the purchasing power of Italian money is little more than one-quarter what it was before the war.)

Receipts of the office for the registration of mortages have been materially lowered, and the Commissioner states as a fact that the amount of indebtedness in the form of mortgages has been reduced, as well as the amount of loans on the security of personal property. The pawnshops are practically bare.

So far as the Italian government, as a business proposition, is concerned, evidence appears to be accumulating that her recovery from economic breakdown is proceeding rapidly. The foreign trade department of the American Express Co. calls attention to the interesting fact that, while France has under construction fifteen times the shipping tonnage that was under way in 1913, and Great Britain eighteen times, Italy has seventeen times as much.

Italy's merchant marine, reduced by the war to a little more than 1,000,000, is now close to 2,750,000 tons.

STATE CONTROL IN GERMANY

INVESTORS who have been following the course of German marks, which are, of course, a medium of that government's credit, will be interested to learn of the increasing scale upon which the German government is participating in industry. Late last year a company was formed under the Government's auspices called the Deutsche Werke Aktiengesellschaft, with a capital of 100,000,000 marks (nominally about $25,000,000) all the stock being taken up by the Government through the treasury department. Through this company, control over a large number of electrical, electrochemical and other industrial undertakings has lodged in the State.

Factories under the direct control or supervision of the German Government include arsenals and naval construction yards, now, of course, engaged in non-military construction as for the manufacture of steel, machinery, etc. Among the larger enterprises involved, the following are particularly noted in recent German press notices:

Electric Power Companies

The huge generating station at Zschornewitz, near Bitterfeld, belonging to the Elektrowerke A. G., is controlled. It provides the current for the State nitrogen works in Wittenberg, obtaining the necessary fuel from adjacent lignite mines, and has an output of 100,000 kilowatts. The company also supplies current to the Berlin Electric Works, and will shortly extend this supply of energy to Leipzig and the Province of Saxony.

Also, in the group of electric power companies, there is the Mitteldeutsche Kraftwerker A. G., comprising the central power station at Senftenberg, and the Niederlausitzer Kraftwerke. The two have an output of 60,000 and 20,000 kilowatts, respectively. Then there is the East Prussia central station and the Alzwerke, the latter's output being put at, roughly, 20,000 kilowatts.

Metal Works and Shipping Industry

Consul Simpich, attached to the American Commission at Berlin, states that great efforts were made during the war to put the manufacture of aluminum on a firm footing, in order to make Germany independent of foreign supplies. Plants were erected and manufacture started at Horrem, Bitterfeld, and Rummelsburg, each factory having an output of 3,000 tons of aluminum a year. In 1916 the Erftwerk A. G. was taken over by the Government and reorganized with a capital of 25,000,000 marks, and the branch works of this company, on the lower Rhine, have since been fitted up to produce 12,000 tons of aluminum a year.

Iron and steel mills under control of the government include the Ilseder Hutte and Peiner Walzwerk A. G., with a capital of 20,000,000 marks (nominally about $5,000,000) of which the Government holds 25 per cent. The mines producing the ores for this undertaking are close to the smelting and rolling plants.

Interests of the Deutsche Werke Aktiengesellschaft (the Government's holding company) also penetrate into the shipping

(Continued on page 544)

Money, Banking and Business

Bonds Higher—Commodities Lower

Big Drop in Foreign Trade Balance—Coal and Iron Production Larger—Moderate Liquidation Continues in Mercantile Lines

By G. C. SELDEN

IN commenting on business and investment conditions, as shown on the two graphs herewith, I have several times referred to the fact that commodity prices and the average yield on bonds (as shown at bottom of this page) tend to move together. In 1920 there has been a remarkably close correspondence between the movements of the two lines, as will be seen by comparing our Index of Corporation Credit with Bradstreet's Index of Commodity Prices on the opposite page.

In the past, the rise of bond prices has usually started later than the fall of commodity prices. In the present case, the turn has come at almost the same time in both. This may be because a greater number of large investors have learned the principle and are acting on it, but the more probable cause is the increase in railroad rates just at this time. It may be that the full advance now shown by bond prices will not be maintained.

I doubt whether the minor movements of bond prices can be successfully predicted. There is no "technical situation" in the bond market (the main reason for this being the fact that there is no short interest in bonds), and the smaller fluctuations depend upon so many varying factors as to stagger the prophet.

But as to the main movement of bond prices over a period of years, it now seems perfectly clear to practically all students of the subject that it must be upward. War means the depletion of capital; peace means its gradual restoration. And the average level of bond prices depends upon the surplus supply of liquid capital compared to the demand for it. The chain of reasoning seems complete.

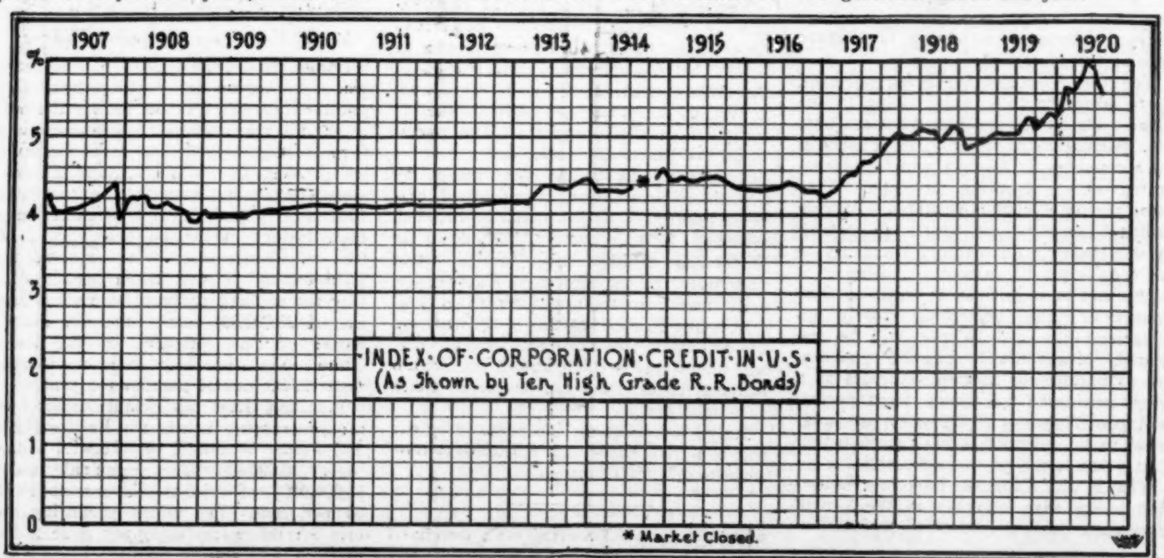
Although money rates are unchanged—except that call money is easier—the demand for business loans is less urgent, and as is well known, stock market loans are below what would ordinarily be considered the minimum. Nevertheless, the banks do not come forward with any increase in the supply of time money for the use of investors, because of the attitude of the Federal Board on that subject. If we should have anything like a panic in stocks, or even severe liquidation, it is reasonable to suppose that the Board would "loosen up" a little in this particular. A 44% reserve ratio for the Federal banks ought not to be considered prohibitive to further loans, if really needed, since the so-called "legal" minimum is about 37½%; and, in addition, the Board has the power to suspend reserve requirements in a pinch.

When it becomes evident that sufficient credit will be available for crop moving, I expect the Board to take a more liberal attitude toward investors in the matter of loans. A 9% rate for time money is an emergency rate and should be modified as soon as the emergency is past.

The movement of industrial stocks may naturally be taken to indicate that business liquidation is not yet over. Bradstreet's fell about 2% in July, but in August to date the further decline appears to have been slight.

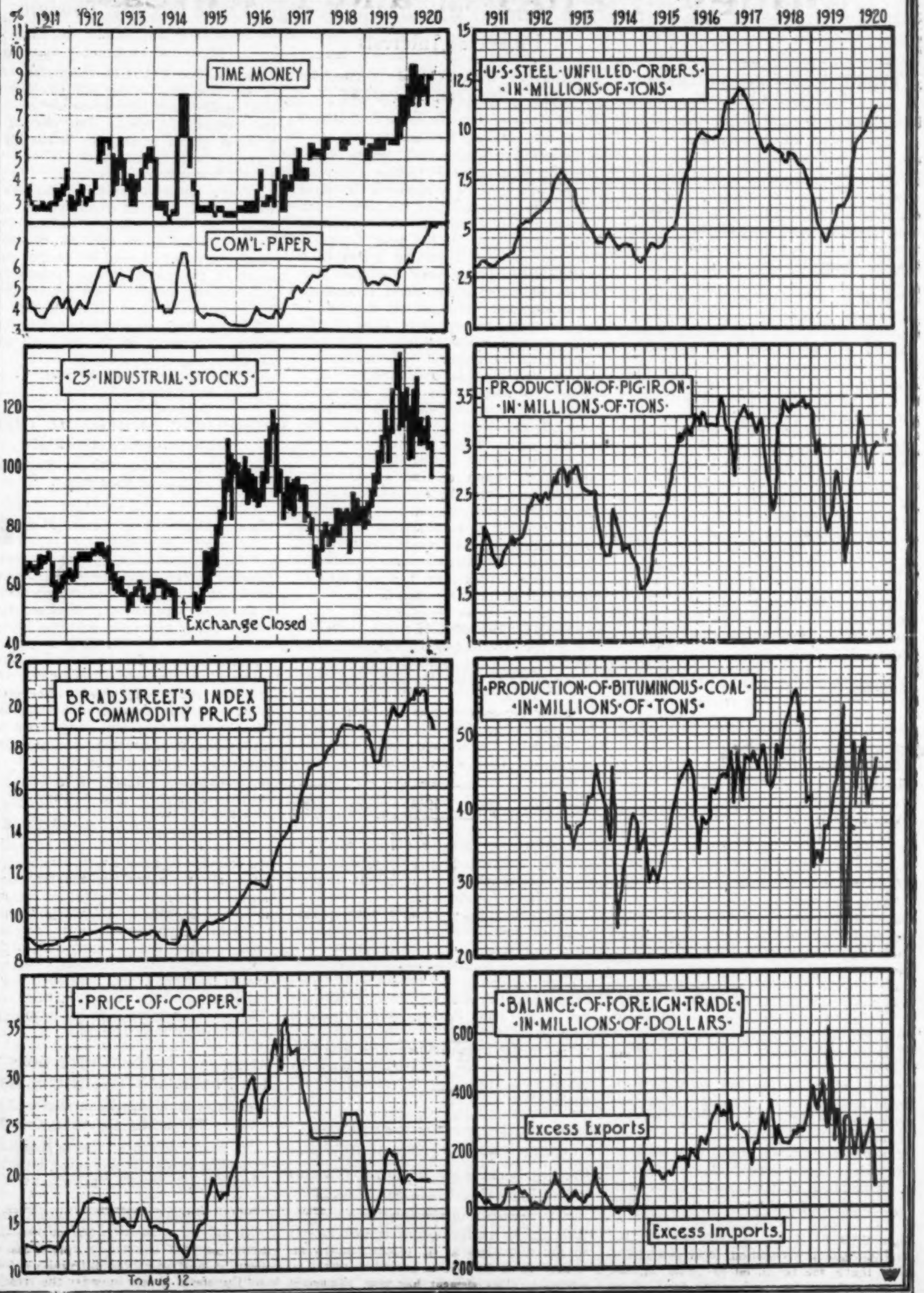
The big drop in the export balance is in line with our views as expressed in the July 24 issue. There is a close connection between this and lower prices for merchandise, as the smaller export demand throws goods back on the domestic markets. Our merchandise imports are still growing and will keep right on, with the usual irregularities, since Europe must sell us her goods to pay the interest on her indebtedness in this country.

In spite of semi-demoralization in a few lines, business in general continues good, and we are really better off without the feverish demand which resulted from after-the-war scarcity. Labor is becoming more efficient and it is occasionally possible to hire somebody at a reasonable wage for reasonable work. Failures, though above last year, are still not above normal pre-war standards, and I see no reason to think that they will threaten the general situation this year.



The above graph shows the changes in the interest return obtainable on high-grade investments. It is based on the yield (to maturity) of ten bonds which are so strongly secured that their price changes are due almost solely to changes in the general supply of capital as compared with the demand for capital. The graph is also an accurate index of the trend of high-grade bond prices reversed. That is, prices rise in proportion to the fall in interest yield, or fall in proportion to the rise in interest yield. Any average of bond prices (as distinguished from yield) is affected by the maturity dates of the bonds used. This element has been eliminated from the above graph in order to give an accurate reflection of the trend of the market for high-grade bonds.

· THE TREND IN MONEY, PRICES AND PRODUCTION ·



What Thinking Men Are Saying

Situation in European Countries and America's Future in Foreign Trade Occupy Thoughts of Financial Interests

BUSINESS OUTLOOK DEMANDS EXTREME CAUTION

Irving National Bank Urges Preparation Now for Possible Trouble

"It requires no unusual quality of vision to see the possibility of trouble ahead in this world situation of ours, and, incidentally, most American situations today must be considered not only in their domestic bearings but also in terms of their bearing upon the affairs of an entire world.

"How far off this trouble is, when we will reach it, whether its sting can be removed before we encounter it seriously, whether it is as serious as it appears or more so, whether we will come up with it finally, or whether, like the will-o'-the-wisp of our boyhood, it will skip on ahead until finally it ceases to exist as a fact in our world—these are things we do not know—cannot know.

"We do know, however—every serious man must admit it—that this is a time for serious thought, serious study, serious effort to provide against both the expected and the unexpected. It would be absurd to assume that because the impossible has been accomplished in the past, it must be accomplished again. There never was a time when American business and finance were more in need of care and caution and provision against surprise than the present."

EASIER MONEY PROBABLE WHEN CROP IS MOVED

Mechanics and Metals Bank Notes Many Hopeful Influences

"Though discounts against commercial bills held by the Federal Reserve banks are now in the neighborhood of $1,250,000,000, compared with only $250,000,000 a year ago, discounts against government obligations have fallen slightly and now stand at $1,250,000,000, against $1,500,000,000 at this time last year.

"This government borrowing has been the least satisfactory element in the banking situation, and the more rapidly it is paid off through the proceeds of taxation, the sooner can the banks resume in full their normal function of financing the seasonal requirements of trade.

"A final factor helping to bring about deflation of credit and greater ease is the high interest charge itself. Just as the discount in foreign exchange rates brought about by the lack of balance in trade tends in turn to restore that balance, so the high rate of 8 per cent for commercial borrowing, not previously approached in thirteen years, will work to discourage borrowing and consequently to bring about deflation and a lower rate.

"The fall crop financing demand and other factors should maintain rates at their present levels for possibly the remainder of the calendar year, but after that there seems likely to be a definite tendency toward easier conditions."

ENORMOUS UNSATISFIED DEMANDS WILL BOLSTER UP PRICES

Royal Bank of Canada Does Not Expect Sharp Declines

"It seems probable that continued restriction of credit will present a barrier to the wild upward movements of prices which have characterized the period since armistice, but belief in a permanently lower price level in the near future is hard to justify. Declining prices in a world where almost every important article is in scant supply seem impossible. How long the shortage will continue is beyond prophecy. Unless labor conditions become more settled it will take some time to remedy. Production has seldom been so slow and expensive as it is at this moment in many industries. Strikes and lowered efficiency of labor, difficulty and delay in obtaining raw materials, all contribute to heavy costs of operation, and at the same time retard production. Even were the present effective demand filled, there would still be, in the stricken countries of Europe, an enormous potential demand, which may make itself felt on the market from time to time during the next few years, and in so doing give a fresh spin to the wheels of commerce all over the world."

FREIGHT MOVEMENT TO UNITED STATES TO BECOME MORE ACTIVE.

A. J. Jackson, English Banker, Expects Heavy Movement from Now On

"Since the beginning of the war, freight business to the United States has been at a standstill, but during the next six months we have a big business in sight. There will be a large quantity of silk goods coming to America from France in the near future. Europe is bringing up production as rapidly as she can get raw materials. Measures being taken to stabilize exchange will have great influence toward movement of goods as well as increasing production.

"All indications point to a heavy movement of goods from Europe during the next half year, and, judging from business now on hand and inquiries received, a large amount of this freight will be distributed on this side by Chicago, Milwaukee & St. Paul Railway and Boston & Albany Railway.

"As to the freight situation in England, there has been too much money made by laborers in this line to stimulate efficiency."

INADEQUATE TRANSPORTATION CHIEF OBSTACLE TO BUSINESS

National Bank of the Republic (Chicago) Sees Improving Conditions Elsewhere

"The present uncertainty is economic rather than political, and is due largely to the unsettlement of prices and to inability to discern the probable trend of values in the immediate future. There is a steady, and generally successful, effort to increase production, both in quantity and quality, and the efficiency of labor has everywhere risen. But one of the greatest forces tending to defeat all efforts to larger production is our outgrown transportation system.

"While much is expected from the efforts of the railroad executives to speed up the per diem freight car mileage, permanent relief from railroad congestion cannot be expected until the present equipment of the roads is very substantially enlarged, not only to meet present needs, but to provide a comfortable surplus.

"While there is slight possibility that money stringency in the fall will reach an acute stage, nevertheless there is real need for caution until the peak of crop moving has passed."

REBUILDING RAILROAD CREDIT OUR BIGGEST PROBLEM

Credit Men Urged to Devote Their Energies to This Task

In a letter to the members of the National Association of Credit Men, J. H. Tregoe, secretary, said:

"Our transportation system is most intimately interwoven into the affairs, domestic and commercial, of the people; and nothing, perhaps, could produce more economic ills or a greater paralysis of trade and credit than the breaking down of the transportation system and its inadequacy to meet the demands of business.

"Correction of our present unhappy railroad difficulties depends upon the credit of the railway systems—they must be so strong that funds may be secured for the financing of new railways and for keeping the old ones in a condition to stand heavy traffic and respond to the needs of business and the traveling public.

"Upon these premises we found the sincere judgment that restoring the credit of the railways to relieve their present inadequacy and the congestion that has recently borne so heavily on trade and on credit is one of the nation's biggest problems.

"Without prejudice, under reasonable and common sense regulations, free of political or partisan influences, every means should be found and developed for the building up of the credit of the railways. There is no subject to which members can better devote their attention."

AMERICA'S OPPORTUNITY DOES NOT LIE IN SUPPLANTING TRADE RIVALS

Mechanics & Metals Bank Warns Against Policy Which May Defeat Its Own End

In connection with the advisability of extending credits to European buyers, the Mechanics & Metals National Bank said, recently:

"Our present abnormal export balance will fall off gradually, and ultimately an actual import balance in our trade relations is a strong possibility.

"Europe's urgent needs, the result of

years of war, must eventually decline, not only as they are filled by goods from us, but as idle people return to production.

"As industry gets on its feet again Europe will be in much less imperative need of merchandise from the United States and will be able to increase its exports to the rest of the world.

"We shall gain trade permanently as other nations gain in purchasing power, and not by supplanting rivals. It is idle to talk about absorbing all the trade of the industrial and maritime countries of Europe which for decades and generations built up their industries with 'export' their watchword.

"Necessity is the mother of progress, and we must remember that Europe's present necessity is a sharp spur to commercial activity."

ITALY MORE COMPLETELY AT WORK THAN MOST EUROPEAN NATIONS

Vice President Booth, of Guaranty Trust, Believes Her Problems Are Working Out

"Since the armistice Italy has resumed her industrial life with considerable rapidity. She has not been free from the uncertainties of radical political action, but there is every evidence that they are on the decline. Italy is at work as completely as any nation in Europe and more so than most of them.

"The problem of any industrial community, especially one with export ambitions, is the obtaining of raw materials and the efficient management of mass production. Italy is naturally bound to suffer from the present world demand for raw materials, but there is no evidence of immediate suffering. There is enough cotton in Genoa to keep the mills running for the next six months, pending the shipment of the new crop. This is equally true of supplies of silk, and, to a considerable extent of coal. Italy is suffering now from a shortage of orders in silk, cotton, rubber, and other commodities, but I believe this condition will be of short duration."

BRITAIN'S HOPE OF PRICE DECLINES LIES IN GRANARIES OF EASTERN EUROPE

Chairman Robert Fleming, Investment Trust Corporation, Analyzes Situation

"I do not myself feel that the country is out of the woods yet. Our exports in money value, it is true, have greatly increased, but that has largely arisen from the excessive prices that prevail.

"With shorter hours, plus diminished production, and, through the rise in the price of coal, the cost of living and the cost of the whole range of our manufactures—only through our pre-eminence in which our 45,000,000 of people can be maintained—is greatly increased.

"The regulations, hours and habits forced upon the country through trade union control during the war have also had the effect of hampering transport throughout the country and thereby greatly affecting the capacity of our railways and our mercantile marine.

"These conditions in coal, railroads and shipping, so long as they last, with systematic underproduction in industry generally, must delay genuine recovery. Of course, even if we all worked as hard, or harder, than ever, prices cannot come down to old levels till we can reopen the great storehouses of Eastern Europe and Russia, and not depend so much as we now do on the Americas."

MEXICO READY TO SPEND $25,000,000 ON RAILROAD EQUIPMENT

General Alvarado Calls Trade Relations with Us Too Close for Permanent Breach

Speaking before the Pan-American Division of the Associated Advertising Clubs, Salvador Alvarado, Minister of Finance of the Provisional Mexican Government, said:

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All Have Been So Busy, They Forgot to Feed Him

"The new Mexican government is ready to spend $25,000,000 in purchasing equipment for the railroads, which have been practically depleted of their rolling stock, and to buy a small fleet of freighters in order to move the crops, the ore and the cargo which have been accumulating in warehouses or have been allowed to rot on account of the acute shortage of shipping.

"The progress which Mexico will make in the next ten years will be wonderful and will go far beyond the expectations of her friends and beyond the fears of her enemies.

"The fact that we buy from you more than 80 per cent of our imports and sell you about 90 per cent of our natural products precludes the possibility of a permanent breach. If it is true that our trade means little in the enormous volume of your total foreign trade, the fact remains that we are your neighbor, your nearest customer and all the balance of your clientele will trust you the more if you give us a fair and square deal."

AMERICA MUST LOOK BEYOND DOMESTIC MARKET

Guaranty Trust Co. Urges That Aid Be Extended to Foreign Countries

Noting an increase in United States imports during 1919 of $2,000,000,000 over the last previous year, the Guaranty Trust Co. says:

"This report, coming at a time when our prosperity is more dependent on our foreign trade than ever before, reminds us again that the rest of the world is hard at work, steadily striving to release itself from the burdensome commercial vassalage to the United States for supplies of food, raw materials and manufactured articles, and at the same time girding itself for commercial achievement when normality will have been restored.

"The situation invites the United States to make a great contribution to the world, and in so doing to seek leadership, not by force, but in fair and generous efforts to aid in the development of other countries, both by the investment of capital where lack of it is retarding progress and by stimulation of trade through a greater interchange of commodities.

"The Government must give full support and co-operation if we are to retain our present trade pre-eminence. Every American manufacturer and every investor must broaden his vision to include the world horizon; to look beyond the domestic market which may seem adequate for the moment and plan to share to the limit of his ability the development of our foreign trade and investment overseas."

PRESSING NEED OF PROPER AMERICAN REPRESENTATION ABROAD

American Vice-Consul at Liverpool, R. C. Beer, Urges Better Service

"There never was a time in the history of America when efficient representation in foreign commercial centers was more urgently needed. In the scramble for a foothold in the new markets being developed since the war, United States must have the best possible service."

Railroads

Bonds and Stocks

The Futility of Estimating Railway Income From Tariff and Wage Levels

Operating Results in September Will Offer the First Reliable Indication of the Future—A Formula for Interpreting the Month's Returns

By **CHARLES REMINGTON**

THE rate increases awarded by the Interstate Commerce Commission, except for the Southern group, followed fairly closely the estimates of the carriers' needs made by the carriers themselves, the chief difference being the amount of the investment in railroad property. The roads asked for rates that would yield 6% on $20,040,572,611 and the Commission granted rates estimated to yield 6% on $18,900,000,000, a difference of about 5%. The representatives of the Southern group asserted their claims on a basis of computation different from that employed by the representatives of the other groups, and they were not sustained by the Commission. From the fact that all other authorities differed from the Southern representatives, together with the operating showing of the principal Southern member under existing rates since March 1, it may be assumed that the basis of estimate employed by the others was more nearly correct.

In the face of this preponderance of expert opinion, representing nearly all the railroads and a majority of the Commissioners and their specialists, it may seem presumptuous to assert that room remains for a material error to creep in. However, the estimates were based on a fixed volume of traffic, both freight and passenger, and on a fixed number of employees.

The estimates leading up to the award were based on actual results in the year ended October 31, 1919. This arbitrary year was chosen instead of the calendar year 1919 in order to escape the disturbing factors that were operating in November and December, 1919, during and immediately after the coal miners' strike. The year, however, included the traffic slump following the armistice in November, 1918, lasting well into the Spring of 1919. It must be conceded that the year chosen was eminently fair to the railroads, for one must go back to the fiscal year ended June 30, 1915, to find one so lean in traffic.

With the year ended October 31, 1919, as a basis, the Commission applied the wage award of the Railroad Labor Board, estimated at 21% increase, and then authorized the following tariff increases: freight, 40% in the Eastern group, 25% in the Southern group, 35% in the Western group, 25% in the Mountain-Pacific group; passenger, 20% in all groups; milk, 20%; excess baggage, 20%; a surcharge of 50% on Pullman rates to go to the carriers. Authority to increase joint through rates from one group to another 33 1/3% was granted, and certain suggestions were made for a redivision of through rates to benefit the New England roads but these would not affect the total revenues.

Estimates of Gross Revenue

The Bureau of Railway Economics has estimated that the increases applied to the business of 1919 would produce an increased revenue amounting to $1,547,000,000, or approximately $100,000,000 less than the roads deemed necessary. The estimate is doubtless quite close and has an academic interest for those who wish to study the past, but there is a question how much light it sheds on the future.

COMPARISON OF INVESTMENT CLAIMED AND ALLOWED.

Group	Claimed by Carriers	Allowed by Commission
EASTERN	$9,038,194,615	$8,800,000,000
SOUTHERN ...	2,183,923,124	2,000,000,000
WESTERN ...	8,818,454,872	8,100,000,000
TOTAL	$20,040,572,611	$18,900,000,000

There are several elements entering into the net operating income of railroads, and over some of them the Interstate Commerce Commission has no control. There are good historical data on this subject, for decreases in tariffs have been known to produce more revenue by stimulating movement of freight, while increases in tariffs have been known to produce less revenue by discouraging movement of freight. One of the most familiar instances is the low through rate placed in effect some years ago by Southern Pacific via its Sunset and steamship lines. The introduction of this rate was the real beginning of Southern Pacific's recent prosperity.

Gross revenue is the result of applying a certain level of rates to a certain volume of tonnage, and none can say within close limits what will be the result of applying the new rate level to an uncertain volume of tonnage—uncertain because of the changed rate level. When one begins to consider passenger travel in the place of freight traffic, the uncertainties become even greater, and it is not impossible that the 20% increase will produce no increased revenue whatever.

Results immediately following the termination of the Government guaranty on September 1 are likely to prove misleading for two reasons. First, there is an accumulation of freight pressing to be moved and much of this cannot be cleared until late in 1920 or early in 1921. Second, the three months, of September, October and November, while representing only 25% of the calendar year, form about 30% of the traffic year. Thus, several months are nearly certain to elapse before the depressing effect of the higher rates on the volume of traffic will become manifest.

Estimates of Net Income

If some of the elements entering into gross revenue are uncertain, many of those entering into net operating income are even more so. While it is not quite so obvious at first glance, it is nevertheless true that high wages tend to diminish the number of positions, just as high tariffs tend to diminish the volume of traffic. In the first place, it may be the number of positions open that create the high wages, but finally the high wages effect their own cure by decreasing employment. Thus, the application of a 21% wage increase in the present payroll is not likely to reflect the payroll in 1921.

During Federal control the number of railroad employees was increased in greater ratio than the increase in business. Figures on this subject have been published for the Pennsylvania Railroad, and, while this property was probably carrying more statesmen than most of the other systems, none of them was quite free from the influence. Pennsylvania Lines East recently dropped 10% of the employees. Thus, the 21% wage increase for these lines will become about 11% as applied to the total payroll with which the company was formerly burdened. Here is an instance where a percentage wage increase works out about the same way that some former rate increases have worked out.

There is also to be considered the factor of individual efficiency. No accurate data on the subject as a whole have been compiled. In the transportation department the average of efficiency was kept higher than in the maintenance department, and it is probable that the worst results were obtained in the shops. In some shops, after Director General McAdoo substituted day for piece work, the average efficiency fell

below 33 1/3% of normal. It is obvious that the recovery of even a part of the former efficiency would materially affect the 21% wage increase as applied to the country's railway labor bill.

There is still another factor that is likely to upset the Commission's estimates of net based on operations in the year ended October 31, 1919. This period contained four months in which ordinary maintenance was almost wholly neglected. While no general order was issued, word went out from Washington in the Summer of 1919 to skimp wherever possible, presumably in an effort to postpone the appearance of the operating deficits that finally developed. Unless future expenditures for maintenance are much greater than the appropriations for that purpose in the last four months of the basic year, neither roads nor equipment would long be capable of the service demanded by the country.

Enough has been said to indicate the unreliability of the data for the purpose of forecasting the future. Following the crop movement and the clearing of the present congestion, gross revenue is likely to fall below the estimates. Similarly, the wage increase is likely to contribute less than estimated to the operating expenses. But it cannot be expected that one faulty estimate will balance the other and result in providing the estimated net operating income. The principle that net declines faster than gross with a declining volume of traffic is too well established to need emphasis.

With all these uncertain elements to disturb one's calculations and estimates of the aggregate result, how much more difficult is it at this time to forecast the performances of an individual carrier under the new wage and rate level. These results will be affected still further by competitive solicitation of traffic and travel, and, as the congestion tends to clear, the effects of this solicitation on individual roads will become increasingly manifest. Not until then will it become known how far Federal control affected this and that road favorably or adversely.

The first line on the future of individual roads will be the September operating results, available to the public late in October. They will be far from conclusive, because all the increases in intrastate rates can hardly go into effect September 1, but at least they will be indicative and far more definite than anyone's estimates at this time.

In order that readers of The Magazine of Wall Street may inform themselves as promptly as possible concerning the railroad stocks in which they are interested, this formula is offered: Most readers are familiar with the term "standard return," which is the average net railway operating income during the three years ended June 30, 1917. Except in a few cases, Government rental was based on this figure. Nearly every holder of a railroad stock knows approximately how standard return works out on his shares. During the test period, the roads as a whole averaged to earn 10.113% of a year's standard return in the month of September. As applied to an individual road, this ratio would not be accurate because the seasonal fluctuations of traffic are not the same in each case, but it is approximately correct. By dividing net operating income for September by the ratio of 10.113%, the quotient will give the year's indicated results, and the figure will be comparable with standard return. If the road is earning more than its standard return, the indications are temporarily favorable; if not, they are unfavorable.

Unusual Investment Opportunities Offered by Preferred Stocks

The Preferred Issues of Many Long-Established and Well-Seasoned Corporations Give Excellent Yields and the Safety of the Investment Is Assured by the Large Equities Built Up Behind These Issues

By J. L. CHEATHAM

At the present time, the investment field embraces so large a variety of securities that intelligent knowledge on the part of the investor can only be gained by making special and intensive studies of each of the different classes of investments.

A thorough knowledge of the investment value of preferred stocks would unquestionably make this type of security more popular even among the most discriminating buyers.

Security of Principal

To the investor the security of principal is, or should be, the prime requisite of an ideal investment. Safety is the corner-stone of success in every security transaction, and in the final analysis, safety of an investment depends upon the amount of property in good condition owned by a company, the total capitalization, the earnings, and the priority of the issue in question.

A bond is evidence of a loan of money and the bondholder receives a "promise to pay" a fixed sum at a certain specified date. For the loan of this money he receives interest paid at regular intervals until maturity.

The owner of a stock, however, is a partner in the business and the safety of his investment is based primarily upon the earning capacity of the company.

At the same time, when a person loans funds to a corporation and receives security therefor, the primary fact in which he should be interested is not necessarily that large profits will be assured, but that the value and character of the property which is pledged as security for the loan is of the highest grade and of sufficient value to amply cover the loan.

A great many investors persist in confining their commitments to bond issues, merely because they have a vague notion that bonds must be sounder investments a bond, of itself, is not necessarily any better than a stock but must depend upon the security behind the issue. **Numerous preferred and common stock issues are far superior in strength and value to many bond issues, and the mere fact that a bond is a mortgage and that the holder thereof is legally entitled to a fixed return on the mortgage, will not of itself put him in a position of better security than that occupied by an investor who holds common or preferred stocks of some other corporation whose earnings and equities are very materially larger even though the latter has only junior claim on income.**

Preferred stocks which have heavy equities back of them, and which are assured of their dividends may be classed as the equal of high grade bonds.

Investment Position of Preferred Stocks

It should be borne in mind that well-seasoned preferred stocks possess relatively small attractiveness from the speculative point of view. Hence, like standard, and tested bond issues, they are confined almost entirely to the investment field. However, as investments, they offer in many cases inducements of an exceptional nature.

While a preferred stock is not a mortgage, and is in many ways essentially different from most bond issues, its investment position will often be affected by the same factors which affect the worth of a bond. Like a bond, in most instances the income is fixed and the dividend rate cannot be increased above the limit which the terms of its issue provide. Hence like bonds, the value of money and not the earning power of the company largely determines the selling price of the preferred stock.

In some instances the preferred stock of a company is redeemed by sinking fund provisions. However, in general, the only than stocks notwithstanding the fact that source for recovery of the principal when investment has been made in preferred stocks is by the sale of the shares held by the investor. Consequently the owner is confronted with the questions of securing a market for the stock and whether the stock will sell for more or less than its cost. By judicious selection readily marketable preferred issues can be secured which will meet all requirements for conversion into cash.

The second requisite of an ideal investment is the stability of income. Stocks represent shares in the corporate risk and since the earnings of a company will naturally vary from year to year this variation of income often obtains recogni-

tion in the share capitalization, by classifications, preferred and common stock. The preferred taking less risk and having precedence over the common has, as a rule, a fixed rate which will yield less than the common when earnings are large, but this preferred rate is more uniform over a period of years. In hard times when earnings decline even bond interest may be threatened and dividends may have to be adjusted to preserve the integrity of bond interest. Interest must always be supported at the expense of dividends.

Stock Yields vs. Bond Yields

The investor must determine for himself whether he desires to use his income each year or whether he intends to re-invest this income. Attention should be given to this point when comparing return of stocks with yield of bonds. The tables from which bond yields are taken and the theories from which the bond formulae are derived are based on the supposition that the semi-annual interest will be instantly re-invested at the same rate at which the principal is invested. It is obvious that should the investor desire to live on his income he could not re-invest, nor could he, in all probability, re-invest at the same rate throughout the entire life of his bond, especially in the case of a small commitment. Consequently while the bond yield may *appear* larger than the dividend return of a preferred stock, for all practical purposes the preferred stock may be giving a greater return on the investment.

In addition to the relation between bond and stock yields, the question of tax exemption is a very important one, especially under present conditions. As regards the burden of taxation very few people realize the great disadvantages under which bonds labor. At present the stockholder is exempt from the normal tax in the federal tax return and dividends from stocks are exempt from practically all personal property taxes since the issuing corporation or its property has already been directly taxed. Bondholders, on the other hand, do not enjoy these privileges.

All things considered, the income from a well-seasoned, conservative preferred stock is, as a rule, much greater than from an equally secure bond. By judicious selection of preferred stocks, where the superior marketability or the sinking fund provisions provide a ready conversion into cash, an excellent dividend return can be secured with all the advantages of bonds and with freedom from most of the disadvantages.

Many Attractive Issues to Be Had

Since the rates for money influence the selling prices of conservative preferred stocks, many excellent investments may be made at the present time yielding a large return, where the company is not only in excellent financial condition but is earning its bond interest and preferred dividends many times over. Were it not for the high rates money now commands, these securities would be selling at materially higher prices.

Furthermore the higher yields on bonds can only be secured on relatively short term issues, while many superior preferred stocks can be bought to yield somewhat higher rates and will run for practically a lifetime.

The accompanying table gives a list of some of the "gilt-edge" preferred stocks which have the highest rank as investments and which, owing to their superior marketability, can readily be converted into cash at any time. The security of principal and the certainty of the income place them equal to the best grade of bonds. Even the most drastic falling off of business could hardly interrupt the dividend payments on the issues named.

The list is arranged in two sections, the *Railroad* and the *Industrials*. When comparing a number of stocks all equally solvent, and all paying a proper income, an investor will naturally consider the future worth of the properties, and select accordingly. Consequently, in both sections the companies are arranged in the order of desirability as investments.

Railroads

The **Chicago & North Western Railway** is one which has an enviable dividend record. The road was incorporated in 1859 and paid its initial dividend on the preferred stock in 1864; since that time it has paid forty-nine annual dividends and for the past seventeen years has been paying preferred dividends at the annual rate of 8%. Owing to the uncertainties which have been occasioned by the recent war and the resulting confusion in the transportation field, the directors have reduced the dividend on the preferred to its regular rate of 7% per annum. The participating feature makes this preferred especially attractive.

The provisions of the preferred stock are rather unique. It is entitled to 7% non-cumulative dividends, then the common shall receive 7%; after which the preferred shall receive an additional dividend up to 3%; common is then entitled to an additional dividend up to same rate; after which both classes of stock share alike in any further dividend.

The **Union Pacific Railroad,** from the standpoint of earning capacity is the premier road of the entire country. With its connections it is the shortest and most direct line from central California to the East, and its traffic has increased steadily for a number of years. It is the only large railroad which has shown a comfortable balance over the Government guarantee for both years.

The company was incorporated in 1897 and made its initial payment on the preferred stock the next year. Since 1900 the full 4% dividend has been maintained on this preferred. The issue is entitled to non-cumulative dividends at the annual rate of 4% but does not participate in any further distribution of earnings.

The **Atchison, Topeka & Santa Fe** runs through a country which contributes a tremendous tonnage of freight in grain. The originating wheat movement of this company is probably greater than that of any other American railroad. The development of the business and efficiency of this road has been due principally to very large expenditures made for extension and improvement of its properties.

The preferred stock is entitled to non-cumulative dividends at the annual rate of 5% and in case of liquidation to full par value out of assets in priority to the common stock.

Industrials

The **Virginia-Carolina Chemical Company** does an extensive fertilizer business which is largely in the South where most of its plants are located. Consumption of fertilizer in the Southern states is growing rapidly, not only in the cotton and tobacco sections, but also in the grain growing districts. The company controls by stock ownership the Southern Cotton Oil Co., which manufactures and refines cottonseed oil, lard compounds and other by-products among which is the famous Wesson Oil. Company is in excellent financial condition and its business prospects are very bright.

The 8% dividends on the preferred have been paid since organization in 1895. This preferred is entitled to 8% cumulative dividends and has preference over the common as to assets as well as to dividends.

DESIRABLE PREFERRED STOCK INVESTMENTS.

Name of Company	Percentage of Total Capitalization Represented by Bonds	Annual Dividend Rate	Average Annual Dividend Rate Paid since Incorporation	Average Annual Earnings 1914-1919 incl.	Number of Shares Sold in 1919	Price Range 1914-1919 incl. Low	High	Price Range to Aug. 6, 1920 Low	High	Last Sale to Aug. 6, 1920	Yield based on Last Sale
Railroads	%		%	%							
Chicago & North Western	57	7% Part. N.C.	A7⅜+	64.14	20,155	116	180	98	120	102	6.86
Union Pacific	52	4% N.C.	A4	34.96	74,545	63	86	61¼	69¼	64½	6.20
Atchison, Top. & Santa Fe	45	5% N.C.	A5—	25.10	105,922	75	102½	72	82	75	6.66
Industrials											
Virginia Car Chem	23	8% cum	8	25.38	27,100	80	115⅝	104	112½	104½	7.65
United States Rubber 1st	38	8% N.C.	6	20.99	52,000	91	119½	102¼	116½	108½	7.30
Amer. Sugar Ref	nil	7% cum	7	20.87	13,910	106	123½	102	118¾	106⅝	6.56
Amer. Car & Fdy.	nil	7% N.C.	7	B23.46	14,680	100	119½	105¾	116½	107	6.54
United States Steel	39	7% cum	7	37.44	164,405	102	123	104⅜	115⅝	106	6.60
Amer. Smelt. & Ref	22	7% cum	7	27.23	46,050	97	118⅛	89½	100½	88¼	7.95
Baldwin Locomotive	22	7% cum	7	31.03	10,900	92	114	96⅞	102½	97	7.22
American Locomotive	4	7% cum	7	25.02	15,695	75	109¾	96½	107	100	7.00
Railway Steel-Spring	nil	7% cum	7	21.45	6,665	86½	112	92½	106¾	100	7.00

A—Average for past 20 years.
B—To April 30, 1919.

The United States Rubber Company is said to be the largest consumer of crude rubber in the world. It produces all types of rubber goods and its business has increased tremendously of late years. The company controls practically all its raw supplies, and its additions, acquisitions and improvements have increased the company's already strong position. Company has reported large earnings in the past few years.

The concern was incorporated in 1892 and began dividends on the preferred in 1896. Since 1906 the 8% non-cumulative dividends on the 1st preferred have been maintained at the regular 8% rate. The second preferred has all been retired leaving only the two classes of stock.

First preferred is entitled to 8% non-cumulative dividends and has preference as to earnings and assets over all the other classes of stocks.

The American Sugar Refining Company has shown a uniformly excellent earning power, and is the largest and the strongest sugar company in the United States and probably in the world. Including the company's investments in with current assets, this concern has enough liquid assets to retire the entire issue of preferred and to buy in all the common stock at par. There is no funded debt. The preferred stock has received its regular 7% dividends since incorporation in 1891.

The preferred stock is entitled to 7% cumulative dividends per annum but does not share further in the earnings. It has no preference in case of liquidation but has equal voting power with the common stock.

The American Car & Foundry Company has not only withstood the tests of business depression but has shown its ability to make the most of the periods of prosperity. The company is a very conservative one and has not only improved its physical condition steadily but has increased its working capital until it now stands as the premier car building concern of the country. Its working capital is sufficient to retire the entire issue of preferred and to retire over 20% of the common at par. The company has no funded debt and hence the preferred has first claim on all assets.

The preferred has received its regular 7% non-cumulative dividends since its incorporation in 1899. It has preference as to assets and to 7% non-cumulative dividends in any one year. This issue cannot be retired by the company.

The U. S. Steel Corporation, the largest concern of its kind in the world, has made a remarkable showing in the past few years. The enormous increase in working capital and the building-up of large equities behind its stocks have placed this company in an impregnable position and the security of the preferred and the certainty of the 7% cumulative dividend are assured.

The preferred has received its 7% cumulative dividends regularly since incorporation in 1901. This stock has preference as to assets as well as to the 7% cumulative dividend.

The American Smelting & Refining Company has benefited by the conservative policy of the management in not declaring big dividends on the common in the past few years when earnings were exceptionally large. The working capital has been carefully conserved and has shown a substantial increase. While the copper and refining companies are now going through trying times, the preferred dividend of this concern which has been paid regularly since incorporation in 1899 is not in jeopardy.

The preferred stock has priority over the common both as to assets and as to accrued dividends in event of dissolution. The stock is entitled to cumulative dividends at the rate of 7% per annum but has no further share in the net profits.

The **Baldwin Locomotive Works** has shown an exceptional earning power during the last few years. This company has probably the largest capacity for building locomotives in the world. The physical condition of its plants is excellent and the company is in a strong financial position.

The preferred has received its 7% cumulative dividends since incorporation in 1911. This stock has preference as to assets as well as to the 7% cumulative dividends, has full voting power, and is subject to call beginning July 1, 1916, in whole, but not in part at 125 and accrued dividends.

The **American Locomotive Company** in common with the other equipment companies has prospered greatly in the last few years. This company has been very conservative in paying dividends on the common stock and as a consequence has increased its working capital and strengthened its financial structure considerably. The company has only a very small amount of funded debt ahead of its preferred stock.

The preferred has received its regular 7% cumulative dividends since incorporation in 1901. This stock is entitled to its full par value and accrued dividends in case of dissolution and is entitled to 7% cumulative dividends over the common. No mortgage can be placed upon the property without consent of two-thirds of the preferred stockholders.

Railway Steel Spring Company, because of its diversified products, can show a uniformity in earnings which is sometimes lacking in concerns doing business along one line. The company is in a strong financial position and since it is free from funded debt the preferred stock has first lien on all assets.

The preferred is entitled to cumulative dividends at the rate of 7% per annum and has also preference over the common as to assets. Preferred has received its regular dividends since incorporation in 1902.

POPULARITY OF FOREIGN BONDS ABROAD AN EVIDENCE OF OPTIMISM

H. F. Berthoud Denies Conditions in Europe Are Bad as Reported

"The French believe United States should go more strongly into the buying of foreign loans, particularly French internal. Bankers in France are optimistic over the strides made to bring the country back to normal. The French have been eager to take up the various internal loans floated. Brussels is soon to bring out a loan of 100,000,000 francs, and bankers already have enough subscriptions on hand to care for the entire loan. This over-subscription is indicative of the attitude over there.

"There are a lot of cheap bonds available now. Swiss internal bonds floated prior to the war in other countries are now, because of the exchange situation, being turned back to Switzerland, which has a tendency to cause congestion. All banks seem apparently satisfied with the recent $25,000,000 8% twenty-year Swiss loan.

"The French people are doing all they can. While not altogether satisfied with the outcome of the Spa conference, they accept the situation as the best that could result under the circumstances.

"One thing should be emphasized, contrary to the popular impression in the United States, that the railroad situation in France is not nearly as bad as reported. Every train on which I traveled reached its destination on time. While the cars are not as comfortable as they should be, much has been accomplished in maintaining schedules. I was surprised at the number of German freight cars now in use in France."

MOTOR INDUSTRY STILL IN INFANCY

Almost the entire growth of the automobile industry, as we know it today, has occurred in the past decade. This growth has astonished the financial and commercial world and surpassed the most sanguine prophecies of the most enthusiastic men in the industry. No industry ever before grew so big in such short time, and probably none ever will in the next hundred years, because the substitution of individual power driven transportation for animal drawn vehicles is an epoch in human history.

And yet greater growth is in store for the industry in the next decade, because our home market is not supplied, and the world is to be motorized by American cars. Outside of the United States and Canada, automobile usage is in its infancy. In 1919 7,558,000 and 337,000 motor vehicles respectively were registered in these two countries, but Great Britain had but 255,000, France 202,000, Germany 75,000, Italy 35,000, Australia 27,000, Argentine 26,000, New Zealand 25,000, Cuba 22,000, Netherlands 20,000, and other countries less than 20,000. Thus you see, the opportunities of American cars are practically unlimited in export markets.

The performance of American motor vehicles in the war demonstrated to the armies of the nations their equality with the best standards of European vehicles, and everywhere well informed persons now concede American cars to be equal to the best makes of any nation. With the enormous demands arising from this new popularity, and unequaled facilities for quantity manufacture, American industry will dominate the markets of the world for the next generation.—*From a speech by A. R. Erskine, president of the Studebaker Corporation.*

A Search for the Best Bargain in the Railroad Bond List

Result of Two Weeks' Examination Among Several Hundred Securities Which, as a Class, Are in a Good Position to Advance

By **DANA HYDE**

"I WANT you to search out the best bargain in the railroad bond list, Hyde," said the publisher of this Magazine to me the other day. "Remember, the bond must be in an investment position. It need not be of the first grade, because most of the bonds in that class are selling too high for Government issues, but it must be good. In this erratic market, I am satisfied that several second grade rail bonds are selling below the level of the general list. See if you can find one that is selling out of line, not only with the bonds of similar companies, but with the other bonds of the same company. If necessary, take a week's time."

"I can save you the time, Mr. Wyckoff," I replied. "I've just devoted two weeks to that very task, and I've made my choice."

The foregoing dialogue explains the reason for the following article:

In a search for such a bond, it was desirable that as many uncertainties as possible be eliminated. It seemed safer, first, to select a company whose preliminary valuation had been completed by the Commerce Commission, in order that an investor might not be led into a situation like that of Toledo, St. Louis & Western, where the valuation shows no margin over the debt. It seemed safer, secondly, to select a company that had rejected the Government guaranty from March 1 to September 1, in order that some reliance might be placed on the current operating statements, because the performances of roads under the guaranty shed little light on their prospects at the expiration of the guaranty period.

St. Louis Southwestern is in such a position. The preliminary valuation, based on reproduction cost plus land values as of June 30, 1914, is about $66,500,000. Since that date the company's capital expenditures have amounted to about $5,000,000, while investments in affiliated companies not made a part of the valuation amount to about $6,500,000 or a total of about $78,000,000. Against this investment the company has a funded debt of about $53,500,000.

Although the valuation figures with subsequent and outside investments do not show $100 a share for the common stock, they more than cover the preferred at par, and the ratio to bonded debt is about 146%. This is a greater margin of safety than will be shown by the roads as a whole.

As the consolidated 4% bond of 1932 is the security under consideration, it is desirable to apply the valuation figures to this issue, after elimination of the terminal and unifying 5s, which are junior to the consolidated 4s, and of the property on which the junior bonds are a first lien. After excluding all investments in affiliated companies, all investments made subsequent to the valuation, some of which would be brought under the lien of the consolidated 4s, and about $2,000,000 worth of property on which the terminal 5s have a prior lien, $64,500,000 property based on an official valuation would remain to cover $45,300,000 bonds prior to the terminal 5s. On the most conservative possible basis of calculation, the figures show 142% of property against the consolidated 4s and the bonds senior thereto.

Income and Interest

Five roads in which there is any public interest rejected the Government guaranty, and of these St. Louis Southwestern has made the best and the most unexpected showing. In the issue of July 24, the results of three months' operations to May 31 were discussed and readers of THE MAGAZINE OF WALL STREET were advised that the company's stocks were attractive purchases. Those who took the counsel have large profits, because St. Louis Southwestern common registered and retained the greatest percentage advance of any active security in the list.

The three months indicated an annual rate of $9.30 a share on the common. Since the publication of that article, results for the four months ended June 30 have become available and they indicate an annual rate of $10.50 a share on the common. In this period the company earned its interest charges 2.2 times, and, after elimination of interest on the terminal 5s junior to interest on the consolidated 4s, 2.7 times. Few roads earn such a ratio as applied to their interest charges, even in normal times.

For the last two months of the four months' period, the company will have the retroactive wage award to take up, but this is more important to stockholders than to bondholders. Even after making this allowance, there will be a considerable margin above interest charges, and this showing has been made on a relationship between tariffs and costs that scarcely permits the roads as a whole to cover operating expenses and taxes. As nine-tenths of the system lies in a region that has been granted a 35% increase in freight rates, the results after September 1 are certain to be no worse than those shown.

The details of operating expenses for June are not available, but in the three months ended May 31 the company spent for maintenance of way and equipment $2,798,705, compared with $2,167,232 spent by the Railroad Administration in the corresponding period of 1919, an increase of $631,473, or 30%. Thus, the appearance of income was not obtained at the expense of the property. Physically, the road is not in good condition, but of all the companies this one has the best claim against the Director General for undermaintenance.

Description of Bonds

The first 4s of 1989, of which $20,000,000 are outstanding, are secured by a prior collateral lien on 1,229 miles of road, in addition to 164 miles of leaseholds. Subject to this issue but secured on the same property are $10,000,000 second mortgage income 4s of 1989, of which $3,042,500 is in the hands of the public and $6,957,500 is deposited as part security for the consolidated 4s of 1932. Although the original bond securing these certificates carried an income feature, the company subsequently guaranteed the interest.

In addition to the security offered by the pledged second mortgage income certificates, the consolidated 4s of 1932 are secured by a first lien on additional mileage. These bonds are outstanding in the amount of $21,591,000, and they are followed by $8,155,000 terminal and unifying 5s of 1952. The 5s have about 25% of first mortgage security, the remainder being secured on property, subject to the prior lien of the consolidated 4s.

This is an awkward financial structure, probably operating to keep investors from purchasing the company's bonds, but it should be remembered that the real security is the asset value of the property and its earning power.

The table shows the present alignment of the company's various bonds in the market and the writer's idea of what would be a more reasonable alignment. While the second mortgage 4s of 1989 are selling too low, being long-term, they do not offer the same chance of profit as the consolidated 4s. Measured against other 5% railroad bonds in similar position, the terminal issue is certainly not selling too high, but it takes no second sight to see that the consolidated 4s are selling too low for all the others.

ST. LOUIS SOUTHWESTERN BONDS.

Bond	Maturity	Present alignment Price	Present alignment Yield	Proper alignment Price	Proper alignment Yield
First mortgage 4s	1989	63½	6.30%	63½	6.30%
Second mortgage 4s	1989	48	8.35	53½	7.50
Consolidated 4s	1932	56	10.55	65½	8.75
Terminal and unify 5s	1952	56½	9.30	56½	9.30

What I Would Do if I Held—

Members of the Staff Advise Careful Discrimination in Selection of Investments in the Present Market—"D" Points Out Reasons for Avoiding the "Cripples"

United Railways Investment, and Others.—The big decline in the market has resulted in a wholesale re-shuffling of the cards; the jokers and aces being so mixed up and mauled that it is difficult to recognize the one from the other. Good and bad alike having suffered, this is an excellent opportunity to eliminate from investment holdings the cripples that seem destined to have a slow recovery: divorcing even at low prices doubtful non-dividend paying stocks for the great advantage of picking up and hitching oneself to future stars, which although low now are greater bargains at low levels than doubtful issues that will be patched up rather than cured at even higher prices.

United Railway Investment at 7½ is a long, long pull, and a temporary switch into **Island Oil** at 5⅝ looks good to me: the latter is cheaper, the exchange will give more stock to the holder, and I can see Island selling at 100% appreciation before United Railway makes up 50%. **U. S. Express, M. K. & T. common, Denver & R. G. common, Interboro common, Katy preferred, Wheeling & Lake Erie, Erie common**—all have a long way to go to look better, stay better, or sell better. A better group would consist of **Island Oil, Gulf Mobile common, Kennecott Copper, International Nckel, Willys-Overland, St. Louis S. W. common** (latter around 15-16), all look more resilient, have more assured earning power—and, best of all, they have their future before rather than behind them.

American Ice, Ajax Rubber, American Bank Note, Computing Tabulating, Worthington Pump, is a group of medium-priced, staunch, dividend-paying issues that seem to be selling out of line, and are fairly shock-proof at 37, 42, 43 and 57½, respectively. **Tobacco Products** at 59, **Retail Stores** at 60 and **American Woolen** at 73 are nearly on the bargain counter, considering dividends and past performances. This group of eight is capable of many permutations and combinations for the purpose of switching a large number of securities selling at around same prices, and not nearly so well fortified nor so nearly on the bargain counter. The principal reason for switching should be to secure dividends that are so important during these seasons of dear money. The loss on non-dividend paying stocks can be figured at about 10% regardless of further declines. The proof is seen by examining your brokers' statements. Why carry along a bunch of stocks and pay for the privilege of "holding the bag" at 10% per annum?

It seems more sensible to put securities to work: and it is more logical to suppose that, with money scarce for quite some time, investment interest will shift more and more into the dividend payers.

Those who hold such non-dividend payers as **American Ship** could transfer easily into **Columbia Graphophone** at about the same price and get dividends. **Cuba Cane Sugar** paying nothing does not seem better than **Ajax** paying $6. Would also switch **Writing Paper preferred** into the latter or **American Bank Note. B & O** paying nothing, and not likely to part with dividends for very many years, isn't in the same class as **C & O** paying $4 and well able to pay $5 or $6. I don't want the privilege of carrying Erie 1st pfd. for about twenty years, and would rather travel with **Chino** paying $1.50 and take my chance that it will ultimately pay $4 earlier than poor old **Erie** can pay $2. **Fisk** paying $3 looks more hopeful than Erie 1st.

The writer could go through this list for hours. The reader is referred to the article on "Apathy" appearing under "Building Your Future Income" in this issue: and if the reader agrees with the author on the subject, then in spite of the heat he will lose no time in putting his investment house in order along the lines indicated.—D.

Corn Products Refining—Corn Products Refining benefited greatly by the war, earning an average of over $16 a share on the common. The company's policy was highly conservative, however, as only late in 1919 did it inaugurate dividends at the rate of $6 a year. Current earnings may show an improvement over the 1919 figures, as demand for the company's products has been stimulated by extensive advertising and the high prices of foodstuffs which may be used as alternatives, such as butter or sugar.

In the same period interest on the bonded debt has been cut in half, and working capital raised from about $17 a share to over $59. At the same time depreciation has not been skimped to make such a good showing, allowances on this account averaging nearly $2,000,000 a year for the past four years, compared with some $350,000 to $500,000 a year before the war.

Profit and loss surplus has been raised from less than $9,000,000 to $35,788,700, over $70 a share on the common, which is represented by solid asset values in the form of working capital largely. Assets behind the common, according to the company's latest balance-sheet, amount to some $172 a share.

Estimated earnings on a stable basis are figured at some $13.50 a share annually, which would indicate that the present $6 rate is well secured and gives a reasonable prospect of increased distributions, in cash or stock.

While the company has had to segregate some of its property according to the terms of a court dissolution decree, it has been going heavily into new construction, notably a refinery in Illinois and a big receiving and shipping pier in New Jersey. The president of the company, Mr. E. T. Bedford, of the Standard Oil Company, has declared that extra dividends would be announced when profits warranted it, and in pursuance of this policy two extra dividends of ½% each have been paid this year. As earnings for the first six months of this year have been reported at the rate of $33.58 per annum, it is entirely possible that further extra distributions may be forthcoming. In view of the decline of the stock from 105 to a recent price of 85 because of technical market conditions in the face of extremely favorable reports by the company, I think it would be well to average up at the present price, awaiting a marked recovery when some of the bearish clouds drift away.—G.

Denver & Rio Grande Consolidated 4s—The Denver & Rio Grande consolidated mortgage is now a first lien on 1,647 miles of road, together with equipment, etc. There are $40,507,000 bonds in the hands of the public, besides $1,445,000 held by the company. Of the bonds outstanding, $34,125,000 are 4s and $6,382,000 are 4½s. Both the 4s and the 4½s are issued under the same mortgage, enjoy the same security and mature on the same day, although the 4s are dated July 15, 1886, and the 4½s are dated January 1, 1898. There is, in fact, no difference between the two classes of bonds except the different rates of interest borne by them.

In spite of the identity of security and maturity, the two bonds have been selling at a spread of two points, whereas they should show a spread of more than four points to provide for the difference in rates. The 4s have been selling around 62½, at which the yield to maturity is about 8.35%, while the 4½s have been selling around 64½, at which the yield to maturity is about 8.73%. In order to diminish the investment basis to that of the 4s, or 8.35%, the 4½s would have to sell at 66⅞.

The 2⅜ points the 4½s would have to advance to get into proper alignment with the 4s may not seem large, but it is the equivalent, after paying commissions both ways, to more than six months' interest on the 4s. As a holder of the 4s, I should, therefore, sell them and buy the 4½s, as long as the two issues show a spread of only 2 or 2½ points.—C. R.

THE CALENDAR YEAR

What is known as the calendar year is, of course, from January 1 to December 31, but all corporations do not have their reports issued for the calendar year, a great many calculating for the fiscal year, which is from any given date, for a year's period, which the company chooses to call its fiscal year for purposes of comparison with previous years, usually from the date it started in business, or sometimes for trade convenience.

The government, for instance, has a fiscal year, which is June 30, and, while it makes periodical reports, the regular annual comparisons are from July 1 to June 30, each year.

Industrials

Bonds and Stocks

Marine Equipment Bonds Growing in Favor Among American Investors

This Type of Bond, While Comparatively New in This Country, Has Long Been Received with Favor Abroad—Yields an Attractive Return on the Investment and Possesses Ample Security

By J. C. LESLIE

AS a type of security the Marine Equipment Bond stands somewhat in a class by itself and differs in many respects from the obligations of railroads, public utilities or industrial concerns. While the general body of investment principles which characterize and differentiate them is small, the application of these principles is rendered rather difficult by the variety of conditions under which the various steamship companies operate.

Our Merchant Marine

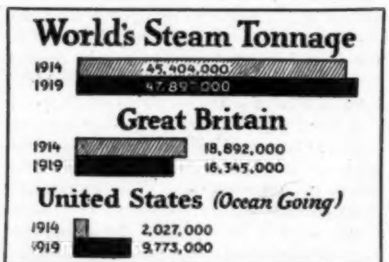
For a number of years after this country became an independent nation, shipbuilding and the sailing of merchant vessels were industries in which we excelled. However, a decline set in some sixteen or seventeen years after the war of 1812, due in a large measure to unwise legislation, but for some time after that date the skill of the American shipbuilder and skipper kept our flag on the seas.

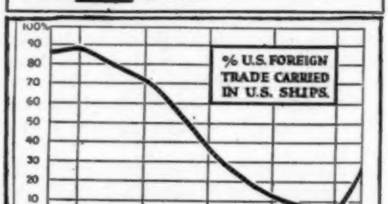
The development of iron and steel ships caused the shipyards in this country to be gradually left behind. The Civil War completed the downfall of our marine which had once carried nearly all of this country's large foreign trade.

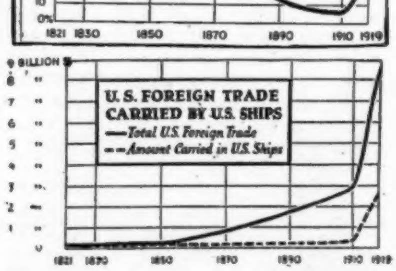
From the chart herewith showing percent of United States foreign trade carried by United States ships, it will be seen that in 1910 about 91% of our exports and imports were transported by foreign ships and the American business man was paying charges to foreign concerns amounting to over 10% of the value of this enormous volume of business. This and the accompanying charts are reprinted through the courtesy of Montgomery & Co.

At intervals there would be popular demand that something should be done to re-establish our Merchant Marine, but nothing effective was attempted until the war of 1914 broke upon the world. The United States then began the building of ships on a scale never before dreamed of. From eighth place as a maritime nation we steadily grew until now England alone surpasses us. The marine that we had failed to provide in times of peace we were forced to build in times of war. Besides ships, we created shipyards with a greater number of ways than existed in all other nations combined. Today this country has a surplus of shipbuilding capacity.

The loss in actual tonnage during the war was relatively small; in fact, there are some 2,000,000 tons more ocean shipping afloat now than before the war. But all authorities agree that this is a very deceptive figure. Normally there would have been for the five-year period an increase of 10,000,000 tons, and, furthermore, a considerable part of the tonnage pressed into or kept in use would have been scrapped. All nations are actively at work in the endeavor to make up this deficiency and for years shipyards will be occupied in this effort. Since the Shipping Board stopped construction on Government work, private orders placed in the shipyards of this country have totaled hundreds of thousands of tons, of which oil tankers form a very large part.







From 1917 to 1919 this country made an investment of more than $3,000,000,000 in ships and there is a widespread demand that this investment shall not be wasted. From a national as well as a purely commercial point of view an American commercial fleet is needed and the consideration of the safety and welfare of the country unite in this demand.

It is a well-known fact that there are no important exceptions to the rule that shipbuilding and seafaring must exist side by side. If, therefore, America is to retain the position it has achieved on the sea during these last few years, she must keep on building ships. This will require financing and invite investment in a form of security more or less unfamiliar, but which has many attractive features.

Marine Equipment Bonds

Marine Bonds are usually first mortgage serial bonds and are generally confined to ships. As a type of security, the Marine Bond or "single boat bond" is much the same as any other first mortgage serial bond, except for the provisions necessary to protect the bondholder.

These bonds should be secured by closed first mortgage on the ship in question, thus giving the bonds, subject only to maritime liens, first claim on the ship. In order to provide an ample margin of security and to be protected against possible decreasing ship values, the total par value of bonds issued

AT present, the market for Marine Equipment Bonds discussed in this article is so specialized and new offerings so quickly placed that, as a rule, none of the issues are purchasable after their original offering.

There seems some likelihood that this form of financing will be carried on on a larger scale in the future, increasing the number of available issues, as investors become better acquainted with the field. Meanwhile, persons desiring to secure issues in this group would do well to place their names with reputable marine or investment brokers for participation in original offerings.

should not exceed 50% of the value of the boat.

Types of Ships

There are three main classes of ocean-going steamships; namely, freighters, tankers and passenger ships. While the last named, as a class, are better known and more in the public eye, numerically they are but a small part of the world marine. The freighter, despite its unassuming appearance, holds the most important position, with the tanker gaining in importance, due to the growing demand for oil as a fuel.

Cargo ships themselves differ greatly, but fortunately there is a means of classifying them. Lloyd's Register and the American Bureau of Shipping give each vessel a rating in accordance with its construction and condition. The rating for high-class ships is 100 A-1.

Freighters are operated by hundreds of companies having fleets of various sizes. It is therefore of extreme importance to know that the operating company is experienced, well managed and established along substantial and conservative lines. It is well to look into its past record and its class of service, including its trade routes. A replacement valuation of $170 to $185 per ton is accepted at the present time as conservative for first class freighters.

Tankers are almost entirely controlled and operated by oil companies, sometimes by the oil company itself and sometimes by a subsidiary. The problem of trade routes and cargoes is not therefore so complicated. It is necessary, however, to consider the standing and stability of the oil company involved.

Tankers are rated in the same manner as freighters and subject to the same discrimination in the matter of bonds. A replacement valuation of $195 to $220 per ton is conservative for first class tankers.

The ocean passenger traffic is controlled by fewer and, as a rule, larger companies than in the case of cargo traffic. In the case of smaller ships, passenger and freight traffic are often combined. The stability and past record of the operating company are of course important. International relationships are also to be considered in connection with the company's routes, which are more or less definitely fixed.

An average valuation for passenger ships is hard to fix, due to special construction, size and type. In each case the ships should be appraised by competent, independent naval architects or engineers. Under present conditions a modern high speed purely passenger vessel for the North Atlantic trade would probably cost $400 a ton. A first class combination passenger and freight ship with a speed of perhaps sixteen knots would be worth today upwards of $250 a ton deadweight.

Investment Value

In this country the Marine Equipment Bond has not been much in vogue, due to the fact that the American Merchant Marine had practically disappeared. However, quite a number of ships operating in the Great Lakes have been thus bonded, and these bonds are held in sufficient esteem by the State of Michigan for the legislature there to make them legal for savings banks.

In England marine bonds—or debentures, as they are called—have long held a strong position among investments. Due to Great Britain's long experience in maritime affairs the fact that they have found the Marine Bond a satisfactory and attractive means of financing their ships should lend great weight. Our new and important marine position carries with it the necessity for financing many of our own ships, both those now afloat and those to be built, and this financing could no doubt be done largely by resorting to the use of Marine Bonds.

The Marine Bond usually offers a very satisfactory interest yield; and, moreover, it has a definite unit of equity behind it, since ships are more or less standard and are readily salable. The shipping business is a stable business and its operation is standardized and the profits are generally very satisfactory. During last year, forty-three British cargo ship companies, after providing for all bond interest and taxes, paid out in dividends as an average over 12% on their outstanding capitalization. Risk of loss to the investor through bad management is minimized, because ships can usually be sold or chartered without loss of equity for the bonds.

This Government now realizes the necessity of supporting our Merchant Marine and Congress has made a good start by passing the Jones Ship Bill. Favorable legislation will put the industry upon a basis still more attractive to the investor in American Marine Equipment Bonds. However, like all other types of securities, care must be made in selecting the best, but providing the financial arrangements, the various provisions and the necessary regulations measure up to the accepted standards, and further providing that the management of the company and its business prospects are satisfactory, the Marine Bond, as a rule, should prove a very attractive investment.

A PRECURSOR OF PONZI'S IN AUSTRALIA

American in Sydney Made Half a Million Legitimately Before Government Interfered

By **HARLEY MATTHEWS**

Charles Ponzi, claiming to have made millions in dealing in international reply coupons, it would seem, is not the first man since the Great War to see rare possibilities in the exchange situation.

When British money first began to depreciate, the Australian government arranged with the Canadian Bank of Commerce for its branches in the United States of America to pay $4.75 on every Australian Commonwealth £1 Bank Note presented by any citizen of the Commonwealth.

The arrangement was supposed to be for the benefit of travelers only, and in order that no commercial concern would want to share in it, a limit was placed on the amount that could be presented at any one time.

Everything went well for a long time; Australian travelers passing through America blessed a paternal government.

But an American in Sydney, Australia, had seen possibilities in the arrangement from the first. To various Australian friends scattered throughout America he sent quantities of £1 notes for them to cash at the bank's special rate. The British pound was then very low—at $3.65 or thereabouts.

The American would then have the $4.75 remitted to him in Sydney, but there that amount was worth more than £1—something like £1/6/. The American would, therefore, only have to have sent one of his friends £100 and he would have made a profit of £30.

Then the Australian government, as governments do, heard about it. Of course, for fear there might be others then or in the future, the arrangement was ended.

No one knows how much the American made out of his operation. Some said he had only been working his scheme a few months and had made $500,000.

But unlike Mr. Ponzi, the "Boston Wizard of Finance," the American himself never said how much he had made. Nor did he offer to take anyone in with him to share in the profits of his scheme.

The government realized from the first that his operations were not in any way illegal, and he is now enjoying the profits of his enterprise.

STOCK OPTIONS A SPECULATIVE VENTURE

Stock options are of two kinds: that known as a call, which is a privilege to call or to buy a certain amount of stock at a certain price, generally above the market price at the time privilege is acquired, and a put, which is nothing less than a privilege to put or to sell certain amount of stock at a certain price generally under the market. There is also a third form known as a spread, but this is merely a combination of the put and the call.

The stock option, very probably in the majority of instances, represents merely a "bet" between the dealer and the customer. But it also is a form of scientific trading, inasmuch as those who buy such options frequently use them as a sort of insurance against commitment in the open market. That is, one who is long of stock, or buys stock for profits, may use the put as insurance against large losses; whereas, one who is short of stock in the open market may utilize the call as a sort of protection in his main trading.

There can be no question that a dealer, or individual, is within his legal rights in selling options on stock which he does not own. This practice obtains everywhere throughout the business world, where merchants and manufacturers undertake to buy or sell goods for future delivery.

It is customary in Wall Street to have options guaranteed by a member of the New York Stock Exchange, by endorsement. Such guarantees are not legally compulsory, but are generally insisted upon by would-be buyers who regard them as adequate protection for themselves.

National Cloak & Suit
Manhattan Shirt Co.
Cluett-Peabody & Co., Inc.

Geo. P. Ide & Co., Inc.
Consolidated Textile Corpn.
Julius Kayser & Co.

Manufacturers of Wearing Apparel Face New Trade Conditions

Deflation as Severe a Trial Now as Inflation Was a Help During War—Accumulation of Large Inventories Handicaps Some

By JAMES GARRISON

THE progress of deflation has hit the textile industries especially hard, just as they profited early and much by the war boom. Cotton has dropped almost perpendicularly in the open market; wool, whose market is less continuous and free, is going through a spell of inactivity, and the decline and fall of the silk market is now a matter of household discussion.

These facts are of importance in at least two ways. In the first place, they indicate that activity in the textile industry is at a low level, hence that profits are likely to be low, comparatively; second, companies that have accumulated large inventories at top prices, which, of course, are the levels at which most of the recent buying has been done, are in an especially poor position, compared with more conservative concerns. In a boom period the latter are to be avoided; in a deflationary one like the present, they have a peculiar excellence.

Another point of importance is the nature of the product turned out by a company, whether, that is, it is a luxury or a necessity. A company that manufactures work shirts would be in a better position than one that specialized on silk underwear, although if depression should get so far as to seriously imperil industry as a whole, both kinds of textile manufacturers would be hard hit, in the same way that a steel company would suffer with an automobile company in the event of a general slump.

The financial position of a textile company, while always a matter of considerable weight, looms particularly large at this time, when banks scrutinize all applications for loans, but more especially for loans based on textiles, with a shrewd and unfriendly eye. The older and more conservative the company, the larger cash and cashable resources it will have built up, and the smaller the amount tied up in inventories at high prices. The status of reserves and special funds to allow for possible shrinkage in inventories, an accounting practice characteristic of really conservative firms, should also be looked into, particularly as the good earnings of the last few years should have made it possible to accumulate such safeguards without undue inconvenience.

Photo Brown Bros.

STOCKROOM NAT. CLOAK & SUIT CO.

To speed up the delivery of mail orders this progressive organization has equipped its messenger boys with rubber-tired roller skates.

National Cloak & Suit

This company was organized in 1914 as a reincorporation of an older company dating back to 1903. It has made a great success of the mail order business, its field covering almost every kind of wearables. Its plants and offices are located at New York City and Kansas City, both strategic positions for its kind of business, and recent expansion at Kansas City is believed to give it capacity for an additional $25,000,000 of sales.

The company's earnings have been good, if not spectacular, ranging from $5.51 a share in 1915 to $14.33 in 1917. Out of these earnings the company has established a dividend rate of 5% on its common stock, and has steadily accumulated a reserve for inventory depreciation totaling $1,000,000 at the end of 1919 for an inventory of $9,054,651, a provision which probably seemed prudent enough at the time it was made, though most likely insufficient in view of current developments in the clothing trade. It is expected that inventories will be cut to $7,500,000 by the end of the year, emphasizing the deflation taking place in all textile lines.

As net sales last year ran at about $40,000,000, inventory seems to be turned over at the rate of once every two and a half months, showing a steady slowing up of movement from once every month and a half in 1915, and once every two months the year after, although it is an improvement on the 1918 figures. Judged by the standards of a few years ago, therefore, National Cloak & Suit has been carrying too high an inventory for its volume of business, a condition widely spread throughout the business. Volume of sales, however, has been showing a steady increase from $17,371,650 in 1915 to $39,449,986 in 1919.

While the company does not carry an official depreciation reserve or make deductions from income under this head, the same effect has been secured by a steady writing-off of the property account to the extent of some $60,000 a year. The 1919 balance-sheet showing is a decided improvement on that for 1918 in many respects, including a slight decrease in inventory, a cut of nearly 50%, or $2,350,000, in bankers' notes, with a corresponding increase in working capital, and a continuation of the policy of redeeming the

Photo Brown Bros. THE CLUETT-PEABODY FACTORIES AT TROY, N. Y.

preferred stock. To date $820,000 of the latter has been retired out of an initial issue of $5,000,000.

The company carries good-will at $12,000,000, exactly equivalent to the amount of its common stock outstanding, but in addition has assets equal to some $46 a share for the common, while working capital at latest report figured out to some $61 a share.

The principal adverse feature of the common seems to be the possibility of a significant decline in earnings and the practical certainty of an important fall in inventory valuation, not sufficiently taken care of by reserves. The present price, around 44, over 11% on an investment level, indicates that the Street considers seriously the possibility of a dividend reduction.

Manhattan Shirt Co.

Like most of the textile concerns whose stocks have been attracting attention within recent years, Manhattan Shirt is an incorporation of a partnership which has been in business for a long time—since 1867, in fact. The present company dates back to 1912, and of late has been expanding into allied lines such as underwear, pajamas, etc. Its earnings have been steady, with an upward tendency especially notable in the last few years, when they have averaged over $14 a share of the old stock of $100 par value.

The company, like National Cloak & Suit, carries its intangible assets, such as trade-mark, good-will, etc., on its balance-sheet. They amount to $5,000,000, the equivalent of the par value of the common, but in all these cases there is the justification that as these intangibles are carried at the same figures from year to year while advertising appropriations are continually being spent, eventually the "water," so to speak, is squeezed out of these items as they represent real money spent for which in return real values in the form of business are obtained.

Working capital has shown a satisfying and steady increase, amounting to some 50% over the 1913 figures, while inventories carried at $4,335,238 do not seem high in comparison with $1,820,531 in 1913, considering the increase in volume of business and more particularly the increase in price of raw materials, although sales figures are not available to permit one to check up on this point. Notes and accounts receivable have not been expanding proportionately as fast as either cash or accounts payable, indicating better methods of doing business.

Photo Brown Bros.

INSPECTING SHIRTS IN A CLUETT FACTORY

Through its extensive advertising Cluett-Peabody has popularized its products and the large nation-wide demand for Arrow Collars, Manhattan Shirts, etc., has built up substantial earnings.

COMPARISON OF SIX APPAREL COMPANIES.

	Capitalization	Aver. Earnings 1916-1919	Current Div. Rate	Price	Yield
National Cloak and Suit, pfd. (a)	$4,180,500				
National Cloak and Suit, com	12,000,000	$12.01	$5.00	44	11.3%
Manhattan Shirt, pfd	$1,600,000				
Manhattan Shirt	5,000,000	$14.17	$1.75	24	7.3%
Cluett-Peabody, pfd	$7,000,000				
Cluett-Peabody	18,000,000	$14.07	$6.00	75	8.0%
Geo. P. Ide, pfd	$2,000,000				
Geo. P. Ide, shs	75,000	*....	....	25-30	...
Consolidated Textile, notes	$3,000,000				
Consolidated Textile, shs	333,637	*....	$3.00	27	11.1%
Julius Kayser, 1st pfd	$1,850,600				
Julius Kayser, 2nd pfd	100,000				
Julius Kayser, com	6,595,000	$22.41	$8.00	93	8.6%

*Earnings figures insufficient.
(a) Announcement recently made of a $5,000,000 note issue by National Cloak and Suit.

The company has no funded debt outstanding, but prior to the $5,000,000 of common come $1,600,000 of 7% cumulative preferred stock. This amount represents a reduction of $1,400,000 from the original issue. There is a requirement that $90,000 of the stock be retired annually before dividends can be paid on the common, but this amount has been more than made up since 1913, so that the company could go on for eight years without further retirement of the preferred. Dividend requirements have been cut from $207,375 to $112,000, saving about 50 cents a share on the common.

The par value of the latter was cut from $100 to $25 last June, a redistribution being made on the basis of four new shares to one old. Dividends were initiated in 1915, and kept on a 4% basis, with a 2% extra in 1918, but the new stock has been placed on a $1.75 annual basis, corresponding to $7 a share on the old stock, which is well within the recent earnings. At recent prices around 24 it yields 7.3% indicating the possibility of an increased disbursement, particularly in view of the staple nature of the company's line, though a slow liquidation is believed to be going on in the market.

Cluett-Peabody & Co., Inc.

This concern, a leading competitor of the Manhattan Shirt Co., also dates back to a partnership, organized in 1851. It produces a similar but larger line of goods, for the most part at its great plant at Troy, N. Y., but with branch plants at other cities in New York, Pennsylvania, Connecticut, Massachusetts, and Quebec. Its Canadian business is handled by a subsidiary incorporated in 1918. The present company was organized in 1913.

Its net income shows a decided drop in 1918 bringing it well below any year since 1914. This probably reflects the maintenance of the old prices on its products, particularly collars, whose price had almost been standardized in the same way as that of ice-cream sodas, while the great spurt in earnings that followed indicated that the increase in manufacturing costs had been more than made up by the new prices.

In the case of this company, too, it is noticeable that inventories have been increased faster than sales, but the increase is not so marked, though steady, having moved up from a turnover of once in four months in 1913 to once in five in 1919, with a high mark of once in six in 1918. There does not seem to be any particular reserve to take care of depreciation in inventory, though a special reserve surplus of $1,019,705 has been maintained since 1915. Working capital has increased about 80% between 1913 and 1919, and profit and loss surplus has been built up from $1,622,421 in 1913 to $7,820,663 last year. The company carries good-will, patents and the like at $18,000,000, equal to the par value of the capital stock, which would seem high, but the company has been able to show for the last seven years between $5.17 and $25.52 earned per share, so that there has been some justification for capitalizing this earning power. Tangible assets for each share of common amount to $49.

The ratio of working capital to sales has declined steadily from 50.9% in 1914 to 36.3% in 1919, showing that the turnover of capital, as distinguished from the turnover of goods, has been speeded up and indicating greater efficiency of management. One way in which this has been accomplished has been the speeding up of collections as measured by the ratio of accounts outstanding at the end of the year to total sales, which show that while it took two months to collect the average account in 1913, by 1919 it took about a month and a half.

As prices of the company's products tend to move slowly, the company's profits will probably increase extra quickly as prices of its raw materials come down, just as they decreased extra quickly when costs went up. On this account, and because of the growing efficiency of the

management as indicated above, I am inclined to look for a particularly good showing next year. Even if inventories do fall considerably, the higher prices prevailing at the end of 1919, have been proved no hindrance to good profits, as shown by the earnings results for the year.

The company has outstanding $7,000,000 of preferred, paying 7% and cumulative, and $18,000,000 of common, now paying $8 annually, a steady increase from the initial $4 rate of 1914. At 75 the liquidation of the common appears to have gone rather far, but no recovery is in sight as yet. The stock seems to be worth watching, however, at lower levels.

Geo. P. Ide & Co., Inc.

In the same line of business, but perhaps best known for its collars, is the firm of Geo. P. Ide & Co., like the foregoing an incorporation of an old partnership founded in 1865. As the company was incorporated on January 23 of this year, its corporate existence is rather short and the record of the partnership has to be translated into terms of its present financial structure.

The company has outstanding $2,000,000 of 8% cumulative preferred stock, of $100 par value, and 75,000 shares of common of no par. A balance-sheet drawn up as of September 27, 1919, showing the changes made by the incorporation, shows a working capital of $39 a share, while the stock is carried on the books at some $23 a share.

The company's earnings, according to the statement made by their accountants, after deduction of $160,000 for dividends on the preferred, show $4.38 earned per share of common last year and an average of $3.20 earned per share for the last four years, reduced to a corporate basis. This would seem to justify a $2 or $3 dividend, eventually, hence the stock should be entitled to sell somewhere between 20 and 30, compared with a late quotation of 25-30, and an offering price of 25. Because of its extreme youth the stock is highly speculative, and its technical condition is affected by the distribution of the underwriting stock.

Consolidated Textile Corporation

For similar reasons little of a positive nature can be said about the stock of this company, which was organized in September of 1919, as a consolidation of the properties of the Pilot Cotton Mills Co., the James N. Williamson Co., and the Ella Manufacturing Co. These companies turn out chambrays used for work shirts, outing flannels, print cloth, brown sheetings, and such staples. Since organization the company has acquired a 90% stock interest in the Lynchburg Mills, in Virginia, a substantial interest in the Exposition Cotton Mills, Atlanta, Ga., and the Windsor Print Works, Mass.

Including new shares issued since organization, the company has outstanding 333,637 no par shares of common, originally offered at 30, and $3,000,000 of an issue of three-year sinking fund convertible debenture notes, due 1923. These notes are well protected and convertible at $45.45 a share, and were issued April of this year at 98½.

Income statements for various periods are available, but they are of little real value as the company has been adding new subsidiaries at various times and the prices paid for them may or may not have been in accordance with real values. Earnings for the first quarter of this year are said to be running at the rate of some $23 a share per annum, but capitalization has been going up all the time and it must be remembered that the original three and the other subsidiaries were acquired at a time when that particular industry was booming, so that some shrinkage of values is to be expected. For instance, the Exposition Mills of Georgia were acquired at $600 a share, it is understood, a price which might not be sustained at the present time.

Recent liquidation in the stock market has brought the price down to 27, at which level it may have speculative possibilities. Because of the lack of definite information and the unsettled nature of the company's structure, it would seem to be a hazardous sort of speculation, though its recent market action has indicated good support at these levels.

Julius Kayser & Co.

This company was incorporated in 1911 to take over the business founded in 1880. Its products are silk gloves, of which it is said to be the largest producer in the world, hosiery, underwear, etc. The company's plants are located in seven cities in New York state, and one plant at Muhlau, Germany.

The financial structure of the company is fairly complicated, including a $1,859,600 issue of 7% cumulative first preferred, the rest of the original $3,000,000 having been retired; $109,000 of 7% cumulative second preferred, and $6,595,000 of common, all shares having a par value of $100.

The company's policies appear to be very conservative, as dividends have only gradually been raised from a 4 to an 8% basis, while earnings from 1912 to 1919 have never been below 15.70% and have run as high as 25.68%. The comparative stability and sustained high level of earnings has permitted the accumulation of a profit and loss surplus of over $5,000,000, in addition to a $500,000 special surplus account which must be maintained whenever common dividends are above 4%, and a "reserve for fluctuations in raw silk prices" of $500,000, compared with inventories of $5,572,473. The loss sustained on inventories will undoubtedly exceed the amount of the reserve, but the company's financial position is sound enough to stand it, working capital, for instance, being somewhat in excess of the par value of outstanding common stock.

In spite of the increase in the price of silk, inventories at the end of 1919 show an actual decline of $450.000 from 1918, indicating a conservative financial policy. The company is retiring its first preferred at the rate of some $150,000 annually, so that in about 12 years the issue will be completely gone. Barring a new issue of second preferred, therefore, the common stock will be left practically with first call on earnings.

The stability of the company's business is shown by the fact that it earned $19.96 per share of common last year. At a present price of about 93 its stock would appear to be a reasonably good purchase for a long pull—Cluett, Peabody & Co., vol. 24, p. 839.

THE WORLD'S BUSINESS

(Continued from page 529)

industry, notably the Bavarian Lloyd Shipping Co., of Regensburg, which is capitalized at 16,000,000 marks. This company held a commanding position in transport work on the Danube and neighboring rivers before the war but lost most of its vessels when the war ended. Restoring it as a commercial success is now going forward with Government support.

Fluctuations in Marks

As was to be expected, in view of the disheartening developments in the Polish situation, German marks have suffered with other exchanges, breaking recently to around 2.19c. This price compares with a low last year of very close to 1c and a high, since then, of 3.40c. Speculation in marks continues on a large scale according to dealers in them, the sight of other people's money being tripled in a few months having attracted the acquisitive instinct of the public.

The recent decline should serve to emphasize the assertion frequently made in this Magazine, that the price of marks will fluctuate, and that over a pretty wide range, in accordance with developments in the political situation in Europe. In other words, the factor of intrinsic value has yet to become of sufficient dimensions to act as a steadying influence on the German coinage.

MANY IMPORTANT STEPS TAKEN IN REHABILITATING EUROPE

Fred I. Kent, Vice-President of Bankers Trust, Calls Lack of Raw Material Greatest Handicap

"The European situation as a whole is gradually working itself out, and many hopeful signs exist today that were not in evidence last fall.

"This does not mean that there are not still serious difficulties which must be overcome before peaceful conditions can exist and the ordinary upbuilding of trade and commerce can be re-established, but only that many important steps toward peaceful conditions have actually been taken. There is no question but that Great Britain, France, Belgium and Italy, the countries with which I have happened to be thrown in closest touch, fully recognize their financial responsibilities, and are firmly determined to work them out.

"The food situation is not at the moment the important one in Europe, as at present and for some months to come, this year's crops will take care of the people.

"The greatest difficulty lies in the lack of the steady receipt of needed supplies of raw materials and also to the impossible condition of the systems of transportation. Until there is better cooperation, however, between labor and capital manufacturing production will of necessity improve very slowly, which may lead to another difficult winter."

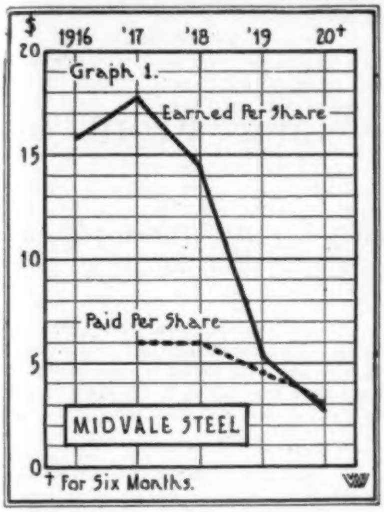
Midvale Steel & Ordnance Co.

A War-Baby Goes Through Teething Time

War-Time Earnings Falling Off—Other Points of Weakness — Position of Dividend Rate

By **MAX GOLDSTEIN**

IN 1915, after the great munitions boom had gotten well under way, a great steel merger was incorporated under the name of the Midvale Steel & Ordnance Co. Like all concerns engaged in



its line of business, it was immensely successful at the start, and in 1917 was able to inaugurate dividends on its heavy capitalization at the rate of $6 annually.

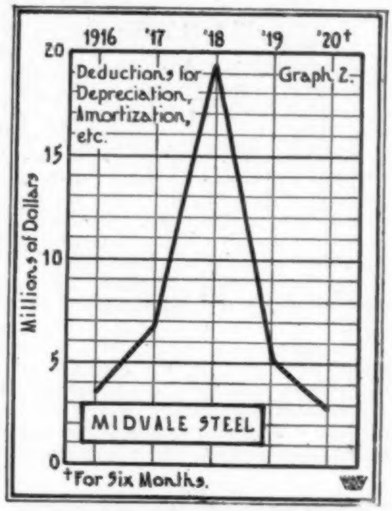
Earnings for 1918 showed a decline, however, which was further emphasized by the showing for the ensuing year, when the company found readjustment after the armistice unusually difficult because of its large proportion of special war-time work. Early in 1919 it was found necessary to cut the dividend rate to $4 annually.

Some of the subsidiaries of Midvale Steel were absorbed and their plants operated directly by the parent company in 1917, but even so its financial structure is indisputably complex. In any case, the company is a complete steel-producing aggregation, notable chiefly for its ordnance production at its Nicetown plant near Philadelphia; and for its tremendous ore reserves, located on the Mesaba, Menominee and Gogebic ranges of Michigan and Minnesota, in the Province of Santiago de Cuba, through the Buena Vista Iron Co., and in certain ore districts in New York state. These latter are considered to be of great potentialities, and are held through the Ramapo Ore Co.

Slump in Depreciation Account

A significant feature of Midvale's earnings statements, apart from the declining profits since 1917, has been the slump in depreciation, reserve accumulations, and the like. We find that in 1918, for instance, the company set aside $9,915,777 for "depreciation reserve," while the following year only $5.334.770 was deducted for this purpose. Similarly, in 1918 we find deducted items of $5,193,563 for amortization as allowed by the Federal income tax law, and $4,500,000 for anticipated inventory depreciation. Neither of these items figures in the 1919 income statement. Total deductions from gross income amounted to $22,828,402 in 1918, and only $8,476,279 last year.

In other words, the slump in net income from $14.66 a share in 1918 to $5.29 in 1919, was even more serious than it appears, because more was deducted in 1918 before arriving at the net income. In addition, there was a special depreciation charge-off on property and plant account in 1918 of $4,950,000, and one of $15,000,000 in 1916, which were not repeated in 1919. This presumably is intended to allow for the fact that



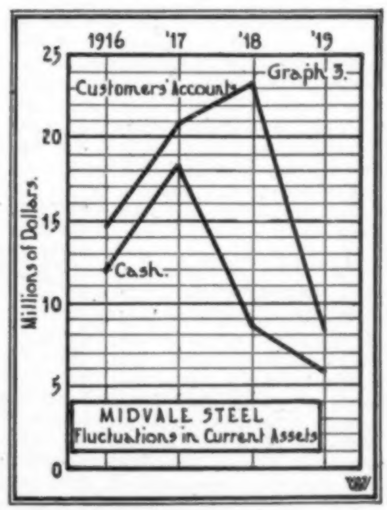
a good deal of the new property invested in, and which raised the item from $135,708,933 at the end of 1916 to $171,380,713, was hastily built, or adapted only to special war-time uses, or else built at prices higher than those prevailing for most of the life of the plant. The wisdom of such a charge-off is apparent, but the point to be noticed is that the company was forced to cut down on this as well as other reserves. If the company had been as liberal on depreciation and reserves during 1919 as it was in 1918, it would have shown a deficit of some $4.80 a share instead of a profit. Of course, it is a question whether the 1918 deductions were not too liberal, but taxation conditions have not changed much.

Recent earnings showings have been somewhat indecisive, the first quarter of this year showing 75 cents earned per share, or less than the dividend requirement of $1 annually, while the second quarter showed a good improvement to $2.17, with depreciation deductions running a few thousand dollars above last year's.

The most encouraging thing revealed by an examination of Midvale's balance-sheets is the accumulation of a large fund of marketable securities, including U. S. Government bonds, certificates of indebtedness, British Government notes, and Anglo-French external bonds due this October. This item has increased from $1,375,821 in 1916 to $40,003,896 in 1919. Assuming that these securities were bought at prices to yield 5%, this fund should give the company an extra income of $2,000,000 a year, or an additional $1 a share on the common stock. In addition, the maturing of the Anglo-French loan in a few weeks will supply the company with a fair amount of cash at a time when it is particularly welcome, in all probability, what with tight bank credit and restrictions on the movement of steel shipments.

Cash holdings have shown a steady decline from $18,833,078 in 1917 to $5,803,589, and since 1918 the working capital of the company has dropped some $3,600,000, leaving net current assets of $87,432,450, of which some $48,071,105 was inventories, at the end of 1919, whose marketability at the present time is more or less open to question.

A decline of serious proportions in the amount of business done is suggested by the steady shrinkage in customers' accounts, which fell from $20,807,785 in



1917 to $8,299,588 in 1919; in advances on ores purchased, which fell from $4,342,082 to $2,005,218 in the same period, while from 1916 to 1919 bills and loans receivable dropped from $8,987,384 to $784,108, deposits on contracts from $7,902,650 to $2,733,924, and accruals and miscellaneous liabilities, together with vouchers and payrolls, show similar startling declines.

The conclusion seems to be that from a business point of view the company is gradually becoming less able to maintain its position in its field, although good

war-time ea:nings and a conservative dividend policy have enabled it to accumulate the respectable-looking surplus of $55,308,703 and reserves carried at $34,-729,888. Translated into actual physical terms, however, apart from book-keeping, these figures do not seem to mean much; and as far as earning power goes, the company's record and prospects do not even seem to be particularly thrilling.

Its cumbersome finan..al structure and the fact that it was organized in a boom period are somewhat against it, together with the fact that it has not as yet had any really serious spell of depression in its 'ndustry to face. It is difficult to tell how the company would come out in a period of intense competition.

In addition to its $100,000,000 capital stock outstanding, of an authorized $150,-000,000, the company has outstanding $43,227,500 of sinking fund convertible gold 5s, due in 1936. They are convertible into stock at $100 a share, which compares with a present selling price for the stock of under 40, so that the conversion privilege does not seem of any immediate value. At a late price of 76 these bonds yield 7.67%, which is not too high for this class of bond. Their interest requirements of less than $2,800,-000 a year can be covered if the company make a net operating profit of $800,000 for the year, the remainder coming out of the company's investment securities, so that their interest is fairly secure. Altogether, this bond is a good business man's investment.

The status of the stock is somewhat more uncertain. At present prices of about 39 it yields some 10.26%, which would indicate some doubt as to the stability of the current dividend rate of $4 a share. The stock is now at about the low of the year, but I do not believe that, all things considered, it is selling too low compared with other steel stocks—vol. 25, p. 935.

New York Dock Company

Extensive Improvements Planned in Water Front of New York Harbor

Plans Should Materially Affect N. Y. Dock Co. Which Operates Largest Warehouse and Pier System in the United States

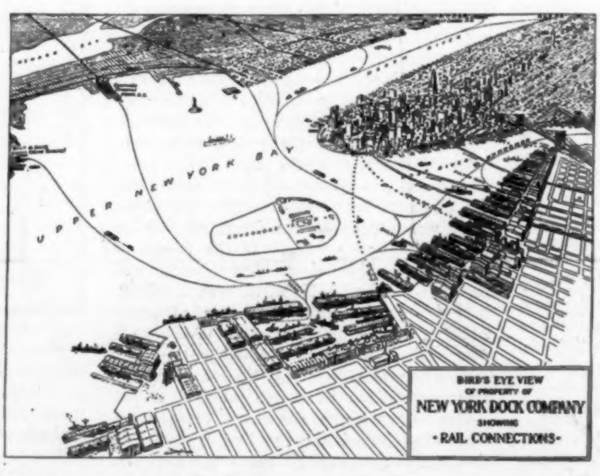
By **C. L. JAMES**

THE port of New York has unquestionably the finest harbor on the Atlantic seaboard, and its extensive waterfront totals more than 780 miles. Not only do the natural advantages of the harbor contribute to the supremacy of this port, but the vast network of converging trunk lines makes it the path of least resistance for our export trade. Over three times as many railroad trunklines come to New York as come to any other city on this coast.

The requirements of the late war so greatly increased the commerce passing through New York harbor that its accommodations and trade handling facilities were overstrained; indeed, the magnitude of these requirements cannot be fully appreciated until one realizes that the Port of New York had long handled substantially half the foreign commerce of the country.

Importance of Harbor Improvemenuts

When compared with some of the European cities, the mechanical equipment of New York's harbor has been severely criticised. One of the favorite arguments advanced in the past in defence of this port has been that European methods are not feasible here. Nevertheless, many other American cities have installed modern mechanical equipment and the resulting operations have proved very successful. In fact, a determined campaign is being made to divert traffic from this port chiefly on the grounds of alleged congestion and high terminal costs, and the effects resulting therefrom are already visible.



From the year 1911, the volume of New York's foreign commerce mounted rapidly until 1914, but from this latter date there has been a steady decline. In order to provide liberally for future trade and to make a concerted effort against the makeshift means heretofore employed the New York, New Jersey Port and Harbor Development Commission was created. This joint commission has been studying the needs of this port as a whole and has been devising a plan which will meet the situation and one which will make best use of the natural advantages of the port. The problems arising are more serious than is generally realized even in the port itself.

Whenever delays occur the interior trader must not only bear his share of the extra terminal costs, but he suffers a still greater loss through delays which put him at a disadvantage with his competitor who escapes this congestion by shipping through some other port.

Much more important than the past is the future. This country has been building a great merchant fleet and has so increased its shipping that it is now second only to Great Britain, whereas in 1914 it occupied eighth place as a maritime nation. The opportunity for which this country has long waited is now here and the nation has only to reach out and get its share of the world's trade.

Waterfront Improvements Planned

To meet this situation the Dock Department of New York City is now engaged in carrying out a system of big waterfront improvements which will eclipse anything before undertaken. Upon the completion of these extensive improvements New York City will have a system of terminal facilities equal to the combined wharfage and freight handling facilities of all the other cities on our Atlantic Coast.

For some years there has been agitation for a marginal railway in Brooklyn. In fact special legislation had been passed to permit the construction and operation of such a railway from the New York Dock Company's terminal near Brooklyn Bridge to the Bush Terminal in South Brooklyn. Various obstacles were encountered, notably the unwillingness of the trunk-line railroads while under private operation to co-operate in the undertaking. However, now that the seriousness of the situation is fully realized, prompt and decisive action may be expected.

Properties of the N. Y. Dock Co.

The largest and most extensive bonded and free warehouse system on this continent, as well as the largest single pier system in the United States are operated by the New York Dock Company. This company was incorporated in 1901 as a reorganization of the Brooklyn Wharf & Warehouse Co., the property of which was sold under foreclosure.

Its property, originally secured or ac-

quired since organization, is located in Brooklyn, just opposite the lower part of the Island of Manhattan, and extends approximately two and one-half miles south from Brooklyn Bridge. The entire area of this vast system occupies over 8,000,000 square feet and includes one hundred and fifty-nine bonded and free warehouses which have a total storage capacity of over 65,000,000 cubic feet, together with a large number of manufacturing buildings which the company rents to other concerns. The thirty-four piers with the various wharves have a deck space of almost 3,000,000 square feet, and the combined wharfage distance is approximately nine and one-half miles.

In order to take care of the rail and switching operations of the company, the New York Dock Railway was incorporated in 1910 and operates the three freight terminals. Consignments to or from all rail lines entering New York are handled direct by cars, and connections are made at the Brooklyn terminals with the various departments operated by the company and with the steamships of the twenty-odd lines which berth regularly at its piers.

Capitalization and Earning Capacity

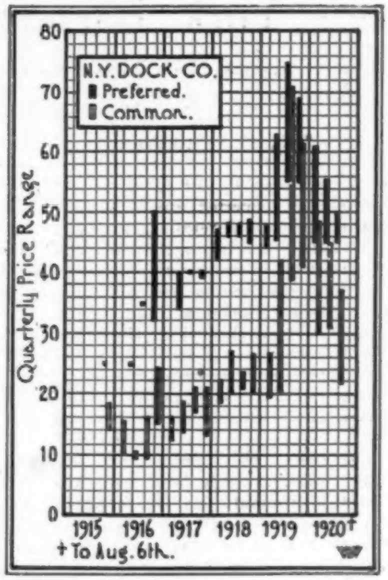
The authorized and outstanding stock of this company consists of $10,000,000 5%, participating preferred, and $7,000,000 common stock. While the preferred has the right to a dividend of 5% in any year before payment is made on the common, these dividends are not cumulative. After paying 5% in any one year on both the preferred and the common, any further disbursements are made equally to both classes of stock. The present outstanding funded debt consists of $12,550,000 first mortgage gold 4's due 1951, a first mortgage upon the property owned or hereafter acquired.

The payment of dividends on the preferred has been very irregular and for the eighteen and one-half years since incorporation amount to a total of 42½%, or an average annual rate of less than 2½%. The initial dividend on the common was paid on February 15, 1919, out of the previous year's earnings, and a second dividend of 2½% was paid on February 16, 1920, out of the 1919 earnings, making a total of only 5% paid on the common stock since incorporation in 1901.

The officials state that while the lessened need for storage following the cessation of the war has caused a decrease in the earnings of the warehouse department, however, there has been an active demand for piers as well as for the space which they have had available for rental purposes. The present shortage of manufacturing buildings has enabled New York Dock to make long term leases at prices which should be favorably reflected in the earnings. One of the largest transactions of this kind which has been made in Brooklyn in recent years, is said to have been made by this company.

The New York Dock Railway has for the past five years shown a deficit in every year save one (1916). While this deficit for the entire five years totals only a little over $200,000, the operation of this department cannot be said to be a great success from the financial standpoint. In common with the rail operations throughout the country this railway suffered from labor disturbances as well as from the numerous other difficulties during the past few years. It is hoped, however, that with the increased rates recently awarded the railroads, this railway will be afforded considerable relief because of increased terminal allowances.

In the past five years the New York Dock Co. has earned $4,215,423 and has paid out $1,500,000 in dividends on the 5% non-cumulative preferred and $350,000 on the common stock, or a total dividend disbursement of $1,850,000, leaving a balance of $2,365,423, or almost 14% on the total capital stock of $17,000,000. It is also interesting to note that the interest on the $12,550,000 Gold 4's was earned 2.83 times as an average in each of these five years.



According to the statement of the company showing earnings from operations for the first six months of the present year, the balance available for dividends on the total capital stock is practically the same as for the similar period last year, i. e., at the annual rate of about 5% on both the common and preferred stocks.

While the working capital of $855,332 as shown on the balance sheet of last year, shows an increase over the working capital of 1915, it is nevertheless just a little over one-half the working capital available at the close of the 1917 year. This, however, is not such an important item with a concern interested in business of this character as compared with manufacturing or other industrial companies.

Conclusion

The properties owned and operated by this company are very advantageously located, and this fact together with the recent extensive improvements, places the company in a comfortable position. Practically all the wooden bulkheads north of Hamilton Ferry have been replaced by substantial concrete structures. This should greatly reduce operating expenses and improve the service very materially.

The property has certainly increased in value in the past few years, and it is difficult to see how it could be duplicated at the present time for anything like the value carried on the books.

The earnings while not excessive are sufficient to cover the bond interest by a wide margin, and this fact, together with the enhanced value of the properties, should make the gold 4's due 1951 (yielding about 7.3%) an attractive investment.

The non-cumulative preferred and the common stock have speculative possibilities. However, when considered purely from a dividend or investment standpoint neither class of stock has much attraction, owing to the irregularity with which the dividends have been paid and to the small margins over the dividend requirements which have been earned even in the past five years.

The repeated attempt of certain German interests to acquire control of this property resulted in an advance over 70 for both the common and the preferred last year. Due to the fact that the voting power of the preferred and the common are alike and each share of stock entitles the holder to one vote, both these issues were bid up. Those who made this attempt apparently learned that control could not be secured, and the action of the stock has suffered from the liquidation of their holdings. The preferred and common stocks of the New York Dock Company are relatively inactive, and since this attempt to secure control, no important buying has yet appeared.

THREE-QUARTERS OF A BILLION DOLLARS READY FOR INVESTMENT UNDER NEW WATER POWER ACT

(Continued from page 523)

By paying the licensee his net investment in hydroelectric plants, the Government will have the option of purchasing such plants at the expiration of the 50-year license, or it may issue a new license to the original licensee, upon reasonable terms, or to a new licensee, who in that event shall pay the original owner his net investment in the plant. The law permits the United States to take over and operate during war time for manufacture of explosives or for any purpose involving the safety of the country any water power plant under license. Authority is given the Commission to make reasonable charges to cover the administration of the Act and for the use of Government lands and property, as well as to take up excess profits which cannot be reached through regulation. The matter of rates to be charged consumers for power and also the regulation of service place licensees under supervision of state public service commissions in these respects. The Act provides severe penalties for non-compliance with its terms.

Other countries, France, Spain, Sweden, and Italy, are awake to the necessity of developing their water powers. With the enactment of this legislation we should enter upon a development the effect of commercial enterprises, the employment of our labor, new uses for our capital and increased wealth and prosperity for our people.

Investors' Indicator of Industrials

The dividend rate given covers regular declared dividends on yearly basis. Extra or stock dividends are noted from time to time in the comment column on the right, which also summarizes important price-affecting factors. The yield on price is based on regular dividends and the last reported sale or bid price before going to press. A minus sign before earnings column indicates a deficit for the year in dollars per share.

INTENDING PURCHASERS should read all notes carefully and consult "Financial News and Comment." It is also well to consult our Inquiry Department.

	Dollars Earned Per Share					Present Div. Rate	Re-cent Price	Yield on Price %	Remarks.
	1915	1916	1917	1918	1919				
Amer. Beet Sugar	19.17	38.84	18.90	6.00	14.17	$8	78	12.82	Favored by high prices.
Amer. Bosch Magneto	25.91	13.44	7.98	11.18	15.22	10	87	11.50	Doing record business.
Amer. Can	5.19	12.31	21.84	7.55	5.56	0	32	.0	Highly speculative.
Amer. Car & Foundry	2.39	27.37	30.64	32.34	27.67	12	135½	8.86	Has splendid outlook.
Amer. Hide & Leather pfd.	12.64	13.56	18.35	20.73	8.81	7c	74	9.46	Leather outlook poor.
Amer. International	....	4.97	7.50	7.44	9.43	6	70½	8.51	Shipping outlook not so good.
Amer. Locomotive	13.10	36.06	21.80	16.64	30.98	6	94	6.38	Enjoying prosperity.
Amer. Smelting	16.80	31.73	24.14	7.29	2.22	4	54½	7.34	Mexican situation improving.
Amer. Sumatra	6.30	2.90	13.90	29.75	5.56	10	81	12.35	Showing big gain over 1919.
Amer. Woolen	6.40	15.32	40.42	21.36	39.89	7	76	9.21	Several plants closed.
Anaconda	7.16	24.85	17.04	8.92	2.19	4	51	7.84	Copper market quiet.
Atlantic, Gulf & West Indies.	13.50	49.50	52.20	13.51	32.66	10	137	7.30	Oil subsidiary very prosperous.
Baldwin Locomotive	7.14	6.09	34.53	21.76	21.88	7	104	6.73	Big railroad orders in sight.
Barrett	21.19	32.84	20.54	18.77	10.25	8	136½	5.86	In big chemical merger.
Bethlehem Steel B	112.50	286.30	43.20	21.00	19.90	5	70	7.14	Steel industry prosperous.
Central Leather	10.82	33.14	30.42	10.44	30.11	7d	53	13.21	Leather industry dull.
Chandler Motor	13.30	24.50	34.00	31.03	26.93	10	85½	11.70	Still turning out large orders.
Corn Products	10.62	20.39	38.05	29.01	23.60	6	87	6.90	Building new plant; enjoying large earnings.
Crucible Steel	5.39	45.80	42.12	48.25	38.80	8	128	6.25	Large rail orders expected.
Cuban Cane Sugar	....	26.27	7.63	1.25	7.77	•0	38	.0	Only good as speculation.
Cuban-American Sugar†	70.60	107.70	63.40	36.74	65.38	7*	40	17.50	Earnings still large.
Famous Players	....	....	....	7.65	11.68	8	70	11.43	Still expanding operations.
Fisk Rubber	6.77	7.90	20.60	12.10	5.99*	3	27	11.11	Doing big business; in strong position.
General Asphalt	....	1.90	1.08	5.18	3.05	0	47	.0	Highly speculative.
General Motors	167.80	30.87	34.20	8.76	36.37	1e	21	4.76	Business still heavy.
Goodrich	17.17	12.76	14.50	25.67	25.09	6	52	11.54	Has large inventories.
Haskell & Barker	....	3.77	10.64	17.89	14.22	4	68	5.88	In strong position.
Houston Oil	1.15	1.57	2.12	3.04	3.09	0	88	.0	Shares a speculation.
Inspiration Copper	....	17.45	9.38	6.96	3.61	4	46	8.70	Copper outlook uncertain.
International Harvester	....	....	14.52	11.73	10.51	7f	125	5.80	Company prosperous; declares stock divs.
Inter. Mer. Marine, pfd.	26.26	42.10	22.72	18.63	25.45	6c	75	8.00	Shipping situation poor.
International Paper	4.42	22.00	34.02	18.48	14.20	0	76	.0	Advances prices.
Kelly-Springfield	7.16	9.19	12.03	20.78	13.20	4f	76	5.26	Building new plant.
Lackawanna Steel	6.95	34.81	45.89	23.79	1.01	6	66	9.09	Big rail business counted on.
Mexican Petroleum	4.93	15.79	10.23	14.13	12.17‡	10	154	6.50	Shipments still satisfactory.
Midvale Steel	....	16.11	17.79	14.60	5.29	4	39	10.26	Earnings improving.
National Aniline	....	....	8.33a	5.24	....b	0	69	.0	In new merger.
Pan-American Petroleum	....	5.57	5.80	5.58	5.96	6	81	7.41	Shipments still good.
Pierce-Arrow	....	13.08	11.19	7.86	6.76	0	38½	0	Outlook not so good.
Pressed Steel Car	3.60	15.01	10.04	24.61	27.12	8	95	8.42	Making good earnings.
Punta Sugar	....	1.99	11.30	17.05	....b	5	75	6.67	Having record earnings; in strong position.
Republic Steel	6.50	47.67	51.88	22.22	1.30	6	80	7.75	Has bright outlook.
Sinclair	....	....	5.28	6.14	5.22	0	27e	.0	Production increasing.
Stromberg Carburetor	....	....	4.25	3.72	5.35	4	66	6.06	New construction to increase capacity 50%.
Studebaker	27.46	26.14	9.11	10.39	28.54	7	62	11.30	Outlook for industry uncertain.
Texas Co.	21.31	37.56	35.54	29.75	21.96	3e	44	6.82	Enjoying great prosperity.
Tobacco Products	2.31	5.44	9.32	17.00	8.59	6	59	10.17	Big increase in inventories.
United Fruit	16.12	27.97	26.72	28.01	32.06	12	189	6.35	In strong position.
U. S. Food Products	4.64	10.30	14.83	31.13	9.91	6	57	10.53	Doing record business.
U. S. Industrial Alcohol	12.60	36.14	54.67	35.95	20.12	8	81	9.88	To export new product.
U. S. Rubber	10.80	17.75	28.83	30.86	35.18	8	84	9.09	Doing big business.
U. S. Steel	9.96	48.46	39.15	22.10	10.17	5	86	5.81	Unfilled tonnage larger.
Utah Copper	11.03	24.46	18.46	11.35	5.08	6	60	10.00	Operating at 50% capacity.
Westinghouse	2.37	10.22	12.56	10.05	10.61	4	47	8.51	Making record output.
Willys-Overland	....	5.74	4.58	2.54	.06	1	16	6.25	Outlook not so good.

†On old stock. *On new stock. f—also stock divs. ‡—based on 9 mos. to Sept. 30. a—based on 7 mos. b—not reported. c—With occasional extras from back divs. d—incl. 2% extra. e—pays 8% annually in stock.

Elkhorn Coal Corp. ***Pond Creek Coal Co.***

Free Car Movement Will Insure Prosperity in Coal Industry

Elkhorn and Pond Creek Companies in Commanding Position Due to High Quality of Their Product—Effect of Freight Rates on Coal Prices

***By* R. M. BRYAN**

TODAY Coal is King.

Coal has become respectable. It has undergone a transformation in public opinion. The world wants it now and nearly everyone appreciate that without it there cannot be life or industrial progress.

It is a basis now of many essentials. Coal is power and it is now feeling its power. Stop mining it and civilization would wane; transportation, except in a most limited way, would cease over night. Factories would stop and farming would suffer a check so that this industry would be unable to produce enough food to feed the idle millions.

It was only a few years ago that certain conservative capitalists were cited who hated the security of a coal company or a coal carrying railroad, as much as they hated the plague. They had no faith in a commodity a whole ton of which could be sold for a dollar or less at the mines. They could not sleep if they had a share of these securities in their security boxes overnight.

It was less than ten years ago that the Eastman Kodak Company was reputed to be earning a bigger net per year than the entire bituminous industry east of the Ohio line.

Coal's Importance Today

But times have changed and coal is no longer a pauper. It is king today, and as a result, five hundred ships now wait at Atlantic seaboard piers alone, for coal cargoes to take to all corners of the world.

A few years ago, we exported over the Atlantic seaboard a measly 2,000,000 to 3,000,000 tons a year. Now we could export 3,000,000 tons a month—had we the coal to spare. *We have already for the first seven months of the year exported approximately 8,000,000 tons, despite strikes, embargoes and our serious shortage of coal for domestic use.*

Several years ago, oil loomed up as a competitor of coal in certain localities. But the growing need for the products of oil grew so fast that the authorities now say it is a crime to use it in the crude for steam making. Hundreds of ships, which were equipped to burn oil as fuel, are lying idle at ports throughout the world, due to the oil shortage, while oil prices have gone to unheard of peaks.

The total oil production of the United States and Mexico, the world's two principal sources of oil at the present day, if entirely used to displace coal for steam making, would barely supplant one fourth of the coal that we use annually in the United States alone, so that the replacement of oil by coal yet remains a dream. It competes only in spots.

So much for that.

Coal prices today are demanding serious thought. While at the moment, some of the bituminous coal is being sold at $10 to $15 per net ton at the mines, these prices obtain only on a small fraction of the output, and the conservative coal men condemn the asking of such prices, as they threaten, if the practice is kept up, a renewal of government coal control, which no one, not even the consuming interests, desire.

The greater part of the coal production of today is moving on contracts of around $3.50 to $4.50 per ton, and it is believed that with improved car and transportation conditions, now becoming noticeable in many sections, prices on spot coals will again decline to around $4 to $5. At these prices there will be healthy profits for the industry if car supply is adequate to keep the mines working normally.

The Effect of the Rail Rate Increase

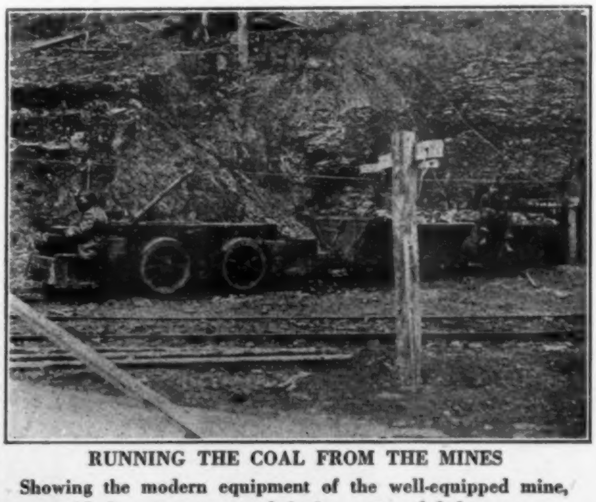
One factor to be considered at the moment is the increase in freight rates that will go into effect by Sept. 1st. This increase, it is now believed, will add eighty cents a ton to the freight charges on every ton of coal that moves to the Atlantic seaboard or into the average domestic consuming points.

Naturally, when business conditions become normal and there is no great shortage of coal as at present, buyers will exercise due diligence in their purchases.

Coals of the best quality will be favored, because in paying the transportation charges on these coals, one wants to pay only for fuel that can be practically entirely consumed for the particular purpose for which it is purchased.

All coal contains ash. Ash is useless. It does not burn, hence it does not make steam or gas. The percentage of ash in coal ranges from about six to twenty per cent. It is easy to figure out then what a loss ensues to the purchaser who buys a coal that contains an excess in ash. He is buying and paying freight on a substance which is of no value to him. It was recently figured out, when high freight rates on export coals to foreign destination were taken into consideration, that for each point of excess ash contained in the coal, a loss of thirty cents per ton was entailed. Thus a coal exported carrying an excess in ash of six per cent. cost the foreign buyer an extra $1.80 per ton for transportation alone, plus the loss in purchase price of the coal.

With these facts in mind, it



RUNNING THE COAL FROM THE MINES

Showing the modern equipment of the well-equipped mine, with its motor tractor bringing out coal laden cars.

is therefore of interest to the investor or prospective investor in coal stocks to study carefully the quality of the coal contained in the coal properties, the uses to which the coal can be put, and their market limitations.

Two Important Producers of Coal

In looking about for an investment in coal stocks, there are two concerns whose securities are now traded in on the New York Stock Exchange, that stack up very strongly against the most careful investigation. This article will not go largely into detail about the capitalization and balance sheets of these two corporations, for these are matters of public record, and are easily accessible to any inquirer.

In this connection, it may be fitting to say here that in studying annual reports of coal companies, it is unfair, owing to the varying conditions to which the coal trade is affected, to expect that coal mines will earn dividends as regular as will savings banks. But, given properties where there is unquestioned coal reserves, where conservatism was practiced in their purchase, with honest and experienced management, and the return is unfailing and the measure of the reward likely to be well worth while.

One of the properties under analysis is the Elkhorn Coal Corporation, which operates some twenty odd mines in Eastern Kentucky and about three mines in the Clarksburg section of West Virginia.

It is an undisputed fact that the coal contained in the Kentucky properties of the corporation, is the most valuable to be found in any coal measures throughout the world. It has holdings of approximately 200,000 acres of coal lands in Eastern Kentucky and about 15,000 acres in West Virginia. Thus, from point of coal reserves, the corporation has a life of a half century or a full century ahead of it, even with recovery on an enormous scale.

TABLE II.—POND CREEK COAL CO. DETAILS OF OPERATIONS.

	1st quar. 1920	2nd quar. 1920	6 months 1920	6 months 1919
Tons of coal mined	196,038	157,862	353,900	372,320
Tons of coal sold	191,844	153,516	345,400	319,061
Earnings from coal	$120,785	$147,053	$267,838	$172,422
Miscellaneous earnings	11,358	9,498	20,856	22,709
Total earnings	132,143	156,551	288,694	195,131
Profit before depl., deprec. and taxes	104,683	128,890	233,573	148,753
Net profit	57,620	72,745	130,366	62,138

This company, which began mining some six years ago, has been equipping to the end of securing a production of 3,000,000 tons a year. Naturally, its development was retarded by the war, and since then the shortage of cars has acted to keep production back.

However, it is of general knowledge that the corporation is now making a great deal better showing, both in point of production, and in the matter of prices, than was the case last year, when during the first part of the year, there was a limited demand for coal, owing to overstocking during the fall of 1918.

This year, the corporation has been able to sell every ton that car supply would permit to be mined. And naturally, prices have been materially advanced, which however, is to a large measure off-set by higher wages and material costs. Given a fair car supply over the remainder of the year (and during the past month, I understand, there has been material improvement in this respect) the corporation should show a very favorable balance sheet for the year.

Elkhorn coal is in world-wide demand, due to its unexcelled qualities for by-product coke oven work. It is a coal that finds favor with public utilities generally; is largely used for gas making, and due to the concentration of new by-product plants in the middle and western states, it has a large sale in this territory.

The corporation is fortunate in having its mines on a number of roads. In Kentucky, it gets outlet over the Louisville & Nashville and the Chesapeake & Ohio. Its coal can go to most any middle and western market on competitive freight rates. It can also reach the Atlantic seaboard, coming to Charleston via the Clinchfield and Southern roads. Already, this coal is finding favor in the export markets and at the moment, were the company without domestic contracts, it could sell its entire output to great advantage for export shipment were the roads in positions to supply it ample cars.

TABLE I.—ELKHORN COAL CO. BALANCE SHEETS AS OF DEC. 31.

Assets	1918	1919
Coal Lands	$16,435,862	$16,377,078
Plant and Equip.	4,600,045	4,868,814
Investments	3,828,814	3,828,814
Cash in Skg. Fund	24,179	20,777
Def. Debits	137,761	147,583
Cash	456,893	229,093
Spec. Def.	19,115	24,803
Notes Rec.	184,979	177,553
Accts. Rec.	981,824	886,468
Int. Rec.	28,551	31,246
Inventions	483,917	359,864
Coal	20,416	6,920
Prepayments	20,166	19,652
Treas. Stock	9,225	4,197
Total	$27,181,747	$26,994,812
Liabilities		
Pref. Stock	$6,600,000	$6,600,000
Com. Stock	2,000,000	12,000,000
6% Notes	5,792,000	6,476,000
Bonds	424,000	420,000
Notes Pay.	430,000	500,000
Accts. Pay.	210,546	211,037
Int. Accd.	41,799	59,188
Taxes Accd.	......	23,042
Skg. Fund Accd.	23,646	20,175
Def. Credits	125	1,953
Res. for Fed. Taxes	101,362	......
Surplus	1,548,329	677,417
Total	$27,181,747	$26,994,812

Elkhorn's Low Ash Content

Earlier in this article, we spoke of the increase in railroad freight rates and what they will mean to coal purchasers.

Elkhorn coal runs under five per cent. in ash. Coals that run this low in ash are very few. Naturally, aside from the fact that the coal contains the greatest values in rich by-products, it will be favored because of its low ash content and the natural saving in transportation, as previously explained. The volatile content averages around 35, while the sulphur does not run above 70. This small sulphur content makes it a most desirable coal for gas plants, as well as for all other purposes.

The company's operations are thoroughly modern. Its management is able, as is evidenced by the fact that Col. C. W. Watson, president of the Consolidation Coal Co., which is one of America's oldest and greatest coal corporations, is chairman of the board.

Here then, we have these elements so necessary for success:

Lands bought at moderate prices or leased at conservative royalties.

Coal of unexcelled quality of which there is a world-wide shortage.

Conservatively but strongly financed.

Management conducted by men of long experience in coal and with most favorable financial connections.

Admirably located geographically to reach the most important markets.

The Pond Creek Company

Another most promising coal investment is the stock of the Pond Creek Coal Company, operating also in the eastern section of Kentucky. This company owns outright and holds leases on coal lands in this section aggregating about 30,000 acres. These lands were acquired years ago, and at prices and royalty terms that look ridiculously cheap today.

What has been previously said about the quality of the coal in the Elkhorn properties, can be repeated in the case of Pond Creek. Its holdings represent the best of the well known by-product coals that are peculiar to this section of Eastern Kentucky.

The Pond Creek coal reserves are sufficient to permit of several hundred years' mining at the rate of 1,000,000 tons per year. For instance, the Freeburn seam now being mined is said to contain upwards of 185,000,000 tons, while other seams in the property are estimated to contain upwards of 225,000,000 tons.

Pond Creek is managed by the same interests that manage the Island Creek Coal Company, one of the most representative of the mining companies in the western section of West Virginia. This means that the management is under the best mining brains in America. The properties are only about a dozen miles apart.

Pond Creek production started in 1913. It grew from 566,965 tons that year to 1,080,602 tons in 1918.

Last year it fell to 801,454 tons, which was due in the first half of the year to the poor demand resulting from an overstocking of coal in 1918, and the generally uncertain business conditions following the armistice. During the last half of the year, while demand improved, no increase in shipments could be made, owing to the lack of transportation facilities.

Naturally, the net earnings for 1919 showed a large decrease compared with 1919. Notwithstanding this the company maintained moderate dividends on its common shares of the par value of $10.

For the first six months of 1920 output was further restricted, owing to lack of cars. However, the comparison of earnings for the six months' period, as made public August 5th, shows a most marked improvement, as note:

Pond Creek Coal Co. reports net profit for six months to June 30 last of $130,366

equal to 61 cents a share on the 212,920 shares of stock.

Details of operations of the Pond Creek Coal Co. for the first half of 1920 compared with 1919 are shown in Table I herewith. It is seen from this table that the company during the first six months of the year earned more than twice as much net as it did during the first six months of 1919, notwithstanding it mined in this period about 20,000 tons less than it mined during the same period in 1919.

Pond Creek Coal Company's operations are located on the Norfolk & Western Railroad, which road gives it an advantageous outlet, both to the east and to the west. Pond Creek coal can come to Norfolk for shipment to the coastwise and export trades practically upon the same terms as New River and Pocahontas coal. It is in great demand, especially for by-products, and sometime ago there was a rumor that the company's properties would be sold to the Semet Solvay Co., who are large users of coal for by-product purposes. This deal was never consummated, but according to the newspaper statements made at the time, the sale of the property would have paid the stockholders a very handsome premium above what the stock was selling at the time in the open market.

Some time ago there were rumors that the company was drilling for oil on some of its Kentucky land, as oil had been discovered on nearby lands. These rumors have not yet been confirmed.

Both Properties Improving

Both Elkhorn and Pond Creek properties are going to increase in value, as our coal export trade grows. There are numerous buyers working in this country now who are seeking to purchase coal properties for European account, as large industrial factors in Europe have become convinced that there will continue to be a shortage of Welsh and German coals for supplying European and South American markets, and that moreover, America will continue to mine and transport coal cheaper than it can be mined and transported from European mines. These coals are especially favored because of their very high qualities. So far but little attention has been paid to the relative saving made by the foreign coal buyer by the purchase of a low ash coal. This matter is going to receive favorable consideration from this time on, both at home and abroad. Supplementing the purchasing of coal properties for foreign accounts, numerous public utilities and industrial corporations in this country are also buying coal properties to protect their fuel requirements. One of the large purchasers of West Virginia properties in the last few years is the Bethlehem Steel Corporation, which by the way has at numerous times used a good deal of coal from the Pond Creek operations. The Semet Solvay Co., a large by-product manufacturer, is constantly buying properties where they find the coals are suitable for the peculiar requirements. There are numerous public utilities that are constantly in the market for coal properties, so that the Elkhorn and Pond Creek properties are especially attractive from an operating and an outright sale standpoint. Elkhorn Co., vol 24, p. 859.

Complicated Currency of China Explained

Fixed Standards Such as Used Here, Unknown in Flowery Kingdom

THE Chinese currency system, the knowledge of which is often important to those engaged in foreign trade, and according to the writer, is essential to the American business man who contemplates trade relations with that country, was recently explained in an article by G. Passeri.

The lack of transportation facilities, together with the entangled condition of the currency system, according to Mr. Passeri, has been the greatest handicap in the development of the trade of the country and the currency system itself, that has allowed the manipulators of the various mediums of exchange a wide field for profits and has been directly responsible for the inefficient financial methods existing in China today. Much could have been done by foreigners to improve the situation without having to undertake the difficult task of standardizing the currencies of China, but foreigners instead have been satisfied to allow their compradores to handle the financial end of their business and take advantage of the state of affairs existing and that allowed of a sharing of the profits with the native banks entrusted with the financing of the internal trade of the country.

It is freely admitted that the present system of financing trade with China is the most severe handicap to the development of her resources. The peculiarities of the Chinese monetary system are confusing, and may appear difficult to the foreign business men who are confronted with them for the first time. But the difficulties are mostly imaginary, and it should be understood that it is only by mastering the essentials of trade that anyone can be successful. In the case of China, the knowledge of the currency and of the operation of internal exchange is indispensable.

The currency of China is based on "standards," according to intrinsic value. This value is not fixed by legislation or by custom, but depends upon that of the metal or metals entering into the composition of the mediums of exchange. The metals upon which the currency is based are silver and copper, and sometimes, iron. Silver circulates in a coined form as well as in bullion of a certain degree of fineness, while copper and iron circulate only as coins. To all purposes, however, China may be regarded as a silver standard country, as all prices, even though indicated in a copper standard, are transformed to silver before the rate to gold is applied.

The following are the standards on which the currency is based: The tael, which is a weight of silver of a certain fineness, used as the medium for banking and commercial transactions. The tael is the standard adopted by foreign banks for conversion into gold.

The dollar, which was introduced by foreigners as a medium of exchange is now coined by Chinese mints and is used as a standard for certain transactions. This coin is now becoming popular as modern Chinese banks are favoring it and it may become the standard of Chinese currency.

The small coins of nominal value of 20 and 10 cents, are of silver. The cash, is a coin of peculiar shape, a round disc of copper with a square hole in the middle and represents a very small value—about 1600 to the dollar—constitutes the medium of exchange for the everyday transactions of the people.

The tael is composed of one ounce of silver and alloy, but as the scale adopted throughout China is not uniform, the notations by the different taels when changed into foreign standard weight vary from one place to another, while the fineness of the silver adopted as standard in the various towns, and in the same town for various products, is also changeable. Considering therefore, that the "tael currency" is composed of two elements, i. e., the "weight element," and the "fineness," that are both subject to variations, it will be easy to understand that the combination of the two can give a number of different notations.

Of the dollars, there are many varieties, both foreign and Chinese. The Mexican dollar is popular with foreigners and is used by them as a medium of exchange for the transactions of their everyday life. The Straits and Hongkong dollar is adopted in some cotton growing districts for the financing of that staple. The many varieties of Chinese dollars that have been coined by the provincial mints have never been popular outside the province of issue owing to the unreliability of their intrinsic value. They are now demonetized and the mints of Nanking and Tientsin are the only ones authorized to coin the new Chinese dollar, having a mint par of Shanghai taels of .7213426. This dollar circulates at par with the Mexican dollar.

The small coins circulate according to their intrinsic value, modified by supply and demand, and while theoretically they are decimals of the dollar, in practice their value changes daily.

The cash was ntroduced in China many centuries B. C. and may be considered as the real standard of the country. They are made of copper, and occasionally of iron, and are strung together in lots of thousands, in strings of 100 each to facilitate both counting and transportation. They serve the purpose of financing many trades in almost every province.

Besides the currency mentioned above, there are large varieties of bank notes—those issued by foreign banks and the leading Chinese banks circulating at par, and those innumerable issues by the provincial banks, private banks, cash shops, etc., constituting practically a currency in themselves and circulating at a discount that varies from day to day, and that has, in some instances, amounted to 90 per cent.

Building Your Future Income

The Fourteen Obstacles to Successful Investment: No. 3—Apathy

APATHY is the direct opposite of energy; and while it is an all-year-round disease, it is most prevalent in the hot months of July, August and September. It perhaps has something to do with the summer dullness, which is seasonal in the stock market. Big operators, as they are called, take advantage of this human tendency to slacken up in the hot months.

These interests usually sell out, and sometimes sell short, before the mid-summer season is in full swing. The expected fall advances which usually materialize on schedule may be due to the greater energy and interest of investors that comes with cooler weather and quickened activities.

These seasonal variations, coming as they do with recurring regularity, prove fairly conclusively that humans in general are not much different from flocks of sheep in liking to follow somebody, or someone's leadership. We know that sheep don't have much fun out of life, and it may be due to their lack of initiative, their dependence on each other or a leader. Lack of energy soon leads the sheep to the slaughter pens, which is the fixed destiny of all two and four-legged lambs.

Energy, the opposite of apathy: initiative: the determination to act and think independently; the spirit of being able to get behind one's natural apathy; getting oneself by the scuff of the neck, if necessary, and pushing forward, will accomplish a good deal. It will certainly enable the individual to go further with less effort—and with less energy.

This last sounds like an Irishism. Expend more energy to use less energy. Forget the weather, brace up, look into things, dig deep, and keep at it. Perspiration may result, but that is good for you.

Let's see how this fits our object, namely, making money.

Deciding When to Think

You won't think in winter: it's too cold to stand around thinking. Spring is no time to think. It's of course too warm to worry about thinking in summer. The fall months are devoted to the business of getting ready to think. Come to think of it, there is really no time left for thinking.

Per sequens, you never have time to think, and it doesn't pay you to do so. Apathy seems the natural way.

So, you stand around wishing to do better, or until someone comes along who hasn't been apathetic, and has not spared his or her grey matter during rain or shine. That particular someone will tell you, to the best (or worst) of his ability, what you ought to do about it. It may be a broker, a brother, a friend, a promoter, a tipster, or perhaps, best of all, your favorite financial paper or banker.

Whatever the motive, your adviser has at least done some thinking. The advice may be as sound as Gibraltar, but the apathetic one is not capable of discriminating, and on the above reckoning the chances are about six to one against the balance being in favor of the thinkee. If one should throw in the advices received from "well informed sources," the brother of the chauffeur who drives the cousin of the pool manager to his office, the friend of the reporter who gets inside information, and the various other sources from whence inclusive misinformation usually emanates, then we have a combination of chances against our unfortunate apathetic one that the inner vaults of the First National are not proof against.

Having received by mere chance the right kind of information, do you lay back on it and let the other man again proceed with his thinking? Do you use his brains or anyone else's energies as a sort of leaning post until something happens to shake you up?

Do you really need the dynamite of a 50-point drop in your investment, a panic in the market, the passing of the surething dividend with an assessment for good measure? Or by what other catastrophe would you be persuaded to cast aside your apathy and wake up?

The Tonic of Margin Calls

Of course the man of apathy becomes tremendously energetic when something slips a cog, often because his broker or finances give him no sleep. The marginman, the customer's eternal pet aversion, is the greatest stimulator of a sluggish bile known to medicine or finance. Even in those terrible moments when profits melt with astounding suddenness, are you really energetic—or do you keep the other man going?

Mere interest in a subject is not to be confounded with energy. A great interest, even a deep interest, in securities will not help without that nobler and better—action—action, and more action. You cannot act without expending energy, and once apathy is thrown into the discard, your inclinations will put you right.

Action and energy mean money to you. More than that, they mean security, independence, freedom from reliance on others, and must lead to comfort and happiness. Genius has been variously defined, and here is another version—energy, action and perspiration. It's worth while being a genius because most of them get what they want. Edison and Marconi did: while the American President Roosevelt and the Italian fiddler Paganini did not become pre-eminent in their lines by merely wishing for greatness. Roosevelt's strenuous character and Paganini's ceaseless fiddling caused them to deliver the goods.

Wake up! Shake off that apathy and look over the financial page. Why do stocks go down while earnings and dividends rise? Why did your company pay dividends and its stocks sell at fancy prices, and yourself asleep at the switch while someone got out from under?

Get out its annual reports and a few pencils, and start figuring. Write for missing reports and keep at it till you get them. Keep moving lest somebody else makes you move at an inconvenient time.

What are you holding now? Do you KNOW they are all right, or do you believe, or just hope, or merely think so?

Wake up, man! The facts are available. Do not be satisfied with things as they are merely because it requires real energy to better your understanding.

Apathy is not an obstacle. It is a mountain that bars the way to successful investment.

Safety First in Real Estate

Subscriber Prefers High-Yielding Securities to Real Estate at Present—One Way of Beating the High Demands of Landlords

I WONDER if it would be of interest to your readers to know of my way of trying to get a nice house cheap. In the latter half of October, 1919, I withdrew entirely from the Stock Market and put what money I had in the savings bank and looked around for a home priced somewhere within reason, but prices were impossible.

In your book, "A Century of Prices," I gained the knowledge that when commodity prices were up bond prices were generally down and in looking back over some of the better grade bonds began to realize how far bond prices had gone down, so I placed orders with my brokers considerably under the market. Out of eight bonds and five preferred stocks this is what I got:

2,000 Pac. Gas & Elec. 5s at 73.
2,000 N. Y. C. Deb. 6s at 87.
2,000 Bush Terminal Bldgs. 5s at 71.
2,000 R. I. Ark. & Louis 4½s at 63.
25 shares Wor. Pump pf. "A" at 80¼.
25 shares Am. Sm. Securities A at 74.

I feel as though these were bargains. This list totals about $9,700, on which I have paid about $5,000 into my account and received about $400 per year over my interest charges, money 8%.

Am just going to take my time paying for these bonds, for I do not believe real estate is a good "buy" for at least two years.

The prices on these stocks and bonds will probably increase in the next two years, while real estate will probably decrease. In the meantime I am getting almost 8% on the money invested.

If this is one of the ways to make money I have your magazine to thank for it. If this reasoning is incorrect I thank you just the same for the enjoyable moments I have spent with your writings.

With best wishes for future prosperity.

SAFETY FIRST.

As events have proven, those who bought improved real estate in the Fall last year could sell at a profit. It must be confessed, however, that prices were very high then and the majority of buying was by speculators, or individuals, compelled through circumstances, or others who objected to excessive rentals. Even now the average homeseeker is not purchasing with a sincere conviction that he is getting a bargain. Like the stock market, it is better to avoid bull markets in real estate, although the probabilities favor still higher prices.

In all bull markets the advance in prices is marked like a ladder where somebody has to climb on the rungs nearer and nearer the top. When the turn comes, somebody is bound to fall hard.

For this reason, we agree with you, it is better not to take chances if you do not have to.

Rentals are prohibitive, but those who demand and get them have to invest large sums, or if they bought years ago their capital investment is now so valuable that it is doubtful whether they get more than a normal return on the present value of the investment.

The bond market and preferred stocks give 7%, 8% and over—and this without much trouble. Time money is scarce below 8%, while call money swings between 7% to 10%. "Other times, other habits," and if 8% is the fashion why should not the landlord get it? In your case you are getting 8%, so that if you have to pay more rent to avoid purchasing in a bull market, and you are able to protect your expense by a high income, you are acting on common sense principles.

We can hardly criticize your excellent investments, but would suggest that you double the number of bonds you hold by selling half and purchasing $4,000 worth of other good bonds recommended in this publication in every issue. The same applies to your preferred stock. Instead of holding 50 shares in two corporations, why not hold 5 shares in ten corporations? There are numerous opportunities, for instance, Pierce Arrow Pfd., Studebaker Pfd., Pierce Oil Pfd., Columbia Graphophone Pfd., Endicott-Johnson Pfd., Bethlehem Steel 8% Pfd. and others. We believe that in all these, in spite of temporary depression, you would be hitching your wagon to stars of the future.

It is gratifying to know that "A Century of Prices" and our magazine helped put you on the right road. We believe that you will also find "Financial Independence at Fifty" entirely in your line.—*Editor.*

STEPPING STONES TO SUCCESS

When planning for the larger possibilities in your financial career do not overlook the small stepping stones to success. One of the subscribers to the Magazine has adopted this plan: He saves all the coins he gets, of new designs, nickels, dimes, quarters and halves. With these he buys thrift and war stamps. As soon as he has twenty war stamps he cashes them in and buys a 4¼ Liberty Bond. In this way he says he has been able to save around $350 a year, "just from the pickings." Try thrift stamp saving and conversion into Liberty Bonds.

SETTLING YOUR ESTATE

A number of lawyers have written criticizing the simple form of will given by Scribner Browne in our June 12 issue. Mr. Browne gave this form as suitable "if you are going to leave your estate to one person, whom you can trust to handle it as you would want it handled. . . . If you wish to distribute your estate among a number of persons it will pay you to get a lawyer to draw up the will." Moreover, the will was dated at New York City and was adapted to New York laws.

Some States require three witnesses, which Mr. Browne advised having even in New York, where two are legally sufficient. In some States children, if any, must be mentioned in the will.

FARM MORTGAGES AS INVESTMENTS

By EUGENE C. HALL

Formerly with the Bureau of Soils, U. S. Department of Agriculture

The farm mortgage is surrounded by all the conditions that go to make up security—contribution to the necessities of life and service to a given number of people who must necessarily use the product of the farm.

The evolution of farming during the last decade has made this industry as much a straight business proposition as banking and merchandising.

The farmer of today has learned to farm scientifically. He pays careful attention to every detail, he raises diversified crops, precluding a total failure, he raises a better grade of livestock, all of which assure him a steady increase in value of the farmer's land holdings, thus adding strength to the farm mortgage security from year to year.

The good farm mortgage is ont subject to fluctuation. It has always been sold at par, has always been worth par and always will be worth par irrespective of unsettled financial conditions or world disturbance.

Today the breach is constantly widening between the supply of farm products and the enormous demand for the necessities of life by a constantly growing population; each year finds more and more of the land under cultivation by the individual whose property it has become and who borrows money to improve his holdings substantially or to buy more land.

The farmer is the most independent worker in the realm of industry. He is both laborer and task master. His labor is not affected by strife between labor and capital or labor unions. The products of his efforts are his own. The more earnest, judicious effort he puts into his work the more he adds to the value of his farm, his capital and his income.

The farm mortgage which represents a first lien against a highly improved and productive farm is a security which is working for the investor day and night backed by some industrious farmer who is even more anxious to see his obligation retired than the investor is to have it liquidated.

No farm loans, made by responsible farm mortgage bankers, are made in excess of fifty per cent of the conservative valuation of the land alone, not including the buildings, and the majority of the loans are for a considerably lower percentage of the valuation.

The life insurance companies for many years have shown a decided preference for farm mortgages.

During the two-year period ending December 31, 1916, the large life insurance companies increased their farm mortgage investments from $655,000,000 to $845,000,000, and for the two-year period ending December 31, 1918, these companies increased their farm mortgage holdings to more than $1,000,000,000.

At present the life insurance companies own about one-fourth of all the farm mortgages in this country and are adding to their holdings.

Building a $10,000 Home With $4,000 Cash

Income for This Purpose Need Not Exceed $2,500 a Year—Plenty of Mortgage Money Available

By **WILLIAM ARMSTRONG**

ONE of the mooted questions today is whether, in view of the high cost of building materials, a person can afford to build a home. Further, is it cheaper to build a home than to buy one?

Both the above questions can be answered in the affirmative. In this article it is proposed to point out how a home can be built, what the actual cost will be and the style of house it might be best to erect.

For the purpose of illustration, a selection is made of a man enjoying an annual income of $2,500, and having $4,000 in the bank. It is assumed that with this income, exercising proper living expense economy, the proposed builder is permitted to live in a $10,000 residence. The $10,000 would include the cost of the site and the house.

With $4,000 as the nest egg, it will not require any financial stress to carry out this particular building plan, and leave the home builder in an easy position as regards reducing his mortgage commitment. With $3,000 it can be accomplished, but the mortgage reduction period will be bothersome. It can still be done with $2,000, but this will require some financial legerdermain and the home builder will have to assure himself of extra income, for the purpose of mortgage reduction.

This refers to the home builder. If it is a case of entering the operation for profit, then any of the three sums will answer, and in view of the present demand for homes, the income builder comes pretty near to being assured of a quick profit of anywhere from $1,000 to $4,000.

The profit is in sight because the $10,000 house to be described herein is today, in choice suburban neighborhoods, selling for $14,000. To be satisfied with a fair profit, allowing the sale of the house for considerably under $14,000, would mean virtually a sale of the dwelling before or as soon as it is completed.

Selecting the Site

In this home building operation, an allowance of $2,000 is made for the building site, which must be in a choice suburban neighborhood, where all street improvement assessments have already been paid, including availability of sewer, water, gas and electric light connections. In the smaller cities, the site could be obtained in the city proper, but in the larger cities, the limitation of the lot purchase price, to $2,000, naturally indicates a suburb, as the site must be not less than 50 x 100 feet in dimensions. Care must be taken in the lot selection to see that it is a restricted neighborhood and that the surrounding houses are approximately of the same value.

In making payment for the site, the builder with $4,000 will pay all cash, $2,000. The one with $3,000 will pay $1,000 cash and give a mortgage back for $1,000, but have a subordination clause in the mortgage. This clause will permit the mortgage you secure on the house to become a first mortgage, while the $1,000 mortgage becomes a second mortgage. The man having $2,000 cash will make the lot purchase in the same manner, but his loan is acquired differently, as will be set forth later.

With the lot selection settled and financed, the project is very well along and it is time to decide upon the house. The budget allows not to exceed $8,000 for all expenses in connection with its bringing into being. The house selected must

TABLE I.—COST OF CONSTRUCTION.

Excavation and foundation	$500	
Plumbing and heating	1,600	
Rough lumber	900	
Trim	870	
Painting	400	
Hardware	150	
Stucco	550	
Plastering	600	
Carpentry labor	750	
Cellar cement floor, chimney, etc.	300	
One car garage	100	
Clean-up and leveling ground and lawn	80	
Contractors' profit	600	
Total	$7,400	$7,400
Contingent Expenses.		
Architect fee	$150	
Loan bonus	180	
Lawyer	75	
Emergency surplus	195	
Total	$600	600
		$8,000
Cost of lots		2,000
Grand total		$10,000

TABLE II.—CARRYING CHARGES PER ANNUM.

For $4,000 cash investment—		
Interest on $6,000 mortgage at 6%	$360	
Taxes and insurance	300	
Sinking fund for payment on mortgage at maturity of (at least) per annum	200	
Repairs	40	
Total	$1,000	
Leaving from income of $2,500 for living expenses, but with no rent to pay		$1,500
For $3,000 cash investment—		
Interest on $6,000 mortgage at 6%	$360	
Interest on lot mortgage of $1,000.	60	
Taxes and insurance	300	
Sinking fund for payment on lot mortgage which will probably mature in 3 years	330	
Sinking fund for reducing mortgage on house	125	
Repairs	40	
Total	$1,215	
Leaving from income of $2,500 for living expenses but with no rent to pay and actually saving $435 yearly toward mortgage amortizing		$1,215
For $2,000 cash investment—		
Annual expenses cannot be accurately computed until terms on which funds are borrowed from the Building & Loan Association are known, but the plan would not be prohibitive. It would be equivalent to paying a high rental for a number of years, but this rental would amortize loan and could be considered as money saved. Provision would also have to be made for paying off the mortgage on the lot, irrespective of the building loan payments.		

be modern in every respect and the one set forth herein qualifies in every respect.

This is what is known as an American Colonial asbestos stucco house, two stories and attic, with seven rooms. Its size will be 20 x 32 feet, and it will be located well back from the sidewalk line and in the center of the lot, with room for a driveway to the garage. It can be at the side of the lot if desired. There will be gas, electric lights, steam heat, hot and cold water, etc. There is to be a good cellar, with cement floor.

The rooms on the first floor will be a large living room, dining room and kitchen. There will be no hallway on this floor. The stairway to the second floor will ascend from the living room.

The second floor will consist of three bed rooms, bath and toilet room or bath room and toilet room. The qualification is made as regards the bath room for the reason that the modern builders are eliminating the old-style combination bathroom with toilet, installing instead the shower bath in a small compartment, with the toilet in a separate compartment. This is regarded as more sanitary and likewise saves room. The modern shower bath is giving more general satisfaction than the old-fashioned tub. One bed room is provided in the attic.

An Attractive Porch

A very attractive part of the new home will be the porch. This porch will be 20 x 5 feet in size and will have a red cement floor. It will be entirely enclosed with glass, with awnings on the exterior and shades on the interior. It will open directly into the living room, and, being steam heated, becomes about the most popular section of the house.

The interior woodwork trim will be white enamel. This is the new American Colonial idea. It has been found that cherry and other woods make the house dark, whereas the white enamel effect is decidedly light and cheerful and has become extremely popular.

The exterior construction is of stucco. Up to recently in the construction of stucco houses in general, the contractor first installed the studding, then the wood sheathing, then the metal laths and finally the cement. This was fairly satisfactory, but not wholly so, as to permanent durability.

Now the modern contractor is using the asbestos patent process, which is considered far better than the old process and allows a considerable saving in the cost of construction. In this particular house, for instance, the saving, by using the new process, is $600, and yet the house is a better house. Use is made of the studding, then furring strips, then a pre-cast cement board, re-enforced with expanded metal, then asbestos stucco.

With this general idea of the size, style of construction and material, the home builder can have an architect draw the plans and specifications, or he may be fortunate enough to know an absolutely reliable builder who is both architect and contractor. In this case the architect's fees would be saved, but as a general proposition it is preferable to have an architect draw the plans and oversee the work of construction.

Estimates Are Reliable

Table No. 1 gives the cost in detail. This includes material and labor. In connection with this table of costs the estimates might vary as to items, but, as a whole, can be relied upon as being cor-

rect. Do not allow any architect or any builder to convince you that the house cannot be built at these figures. It has been done and is being done today. The figures as to the cost of material and labor, given in the table, have been verified and approved by contractors who are constructing just such homes for this amount of money.

Having purchased the lot, and being in possession of the plans and specifications, as well as the agreement of the contractor to construct the house within the limit given in Table 1, the next and very important step is to arrange for the financing.

The impression that mortgage money is scarce is erroneous. There is plenty to be had for home building. Application should be made for a mortgage loan of $6,000 for a term of five years, at 5½% per annum. It may be necessary to pay 6%, but money is being loaned out for such purposes at 5½%. There may be some quibbling as between $5,500 and $6,000, but you are entitled to a loan of 60% on the cost of house and lot, which is $6,000. Application can be made to lawyers, real estate brokers, savings banks, life insurance companies or the Title insurance companies. The latter make a specialty of these loans and are making them today. The Title companies will probably charge you a 3% bonus for securing the loan, and if obtained elsewhere, the cost should not exceed this, $180. This should also include the cost of the search of the title which will be required by anyone making a loan. This procedure applies to the home builder who starts with $4,000 or $3,000 cash. The man with $2,000 will have to rely on some Building and Loan Association.

Requires Rigid Economy

In the latter case, it would be necessary for him to purchase some stock in the Association and then bid for the loan. He should be able to get a loan of $7,000, perhaps a trifle more. But the difference in the position of the three home builders will be that while the first two will have a straight mortgage loan for three or five years on which they will only have to pay the interest, the builder who had to go into the Building Loan Association will be compelled to make monthly payments of a considerable amount, and virtually compound interest.

Building and loan associations are very meritorious institutions and are a great benefit to a vast number of home owners, but for a residence costing this amount of money it is not a particularly desirable plan to enter into, but is all right if the home builder can stand the monthly payments year in and year out. Of course, there is the saving feature that while making the monthly payments, the loan is being cut down, but it is a long process. It would be more desirable as a speculative enterprise, as the house could be more readily sold, as the purchaser would not have to have the amount of cash necessary, as in the first two cases.

Table No. 2 gives the carrying cost of the house to the owner and an amortizing payment, meaning the putting aside of a certain amount each year to apply on the mortgage principal. This applies to Home Builder No. 1 and 2, but not to No. 3, as the building loan payment cannot be accurately stated.

How to Select a Railroad Stock

Suggestions to Assist the New Investor in Making a Wise Selection from This Class of Security

By G. C. SELDEN

FIRST, select a stock which is now paying dividends. It rarely pays to bother with a non-dividend payer among the rails, because changes in railroad conditions generally come slowly. In the meantime, if you own a non-dividend stock you are getting no return on your money except whatever rise may occur in the price, and that is apt to be too slow to make the investment profitable. And you should not overlook the fact that you might prove to be mistaken in your idea that the stock would rise in price, in which case your money is tied up without any benefit to you.

Second, buy the stock of a road which shows a growing tendency—one that is doing more business year by year. The income accounts of the company give you the gross earnings every year and you can form some opinion as to the road's growth by examining them. But bear in mind that an increase in rates causes a rise in gross earnings, just the same as a gain in tons of freight and number of passengers does. So it is still better to get from the annual reports of the road the ton-miles hauled during each year. By ton-miles is meant the number of tons of freight hauled one mile, or the number of tons multiplied by the miles each ton was hauled.

Third, suppose that a road's business is showing a satisfactory increase. The next question is, will that increase continue? In a time of general prosperity the road will naturally do more business than it did in a time of depression. We generally get a depression of greater or less severity about once in three or four years. So you need to consider the business done over a period of, say, ten years in order to observe the broad trend of the company's earnings.

Another way, at a time when general business prosperity has been increasing for several years, is to compare the gross earnings of various roads and see which has made the best gain; or, in a time when general business has been dull, to compare different roads and see which one has shown the smallest fall in earnings, or has shown an increase when most other roads were decreasing.

Fourth, give the preference to roads which are located in growing territory, provided they are making a good showing in their reports. The Southern Railway, for example, being located in territory which is only partly developed, has more room to grow than the Boston & Maine, whose territory is already pretty closely settled. Therefore, *other things being equal*, the Southern's business would naturally increase faster than the Boston & Maine's. Of course, other things never are equal, but character of territory is one important element to be considered.

Fifth, examine the per cent. earned for the stock year by year, to see whether that also shows a growing tenc ncy when viewed over a ten-year period Or, in a time of depression, when all railroad earnings have fallen, see which one has fallen the least, as measured by per cent earned for the stock.

Sixth, look over the traffic statistics of the road—given in all the good manuals and also in annual reports—and see whether the average train-load is increasing. The train-load means the tons of revenue freight hauled in one train. It is the most important figure in the traffic statistics, because an increasing train-load means good management and greater economy in the handling of business.

The average train-load has been increasing for years on all well managed roads. See whether it has grown more or less on the road you are considering than on other similar roads.

There will have to be a limit somewhere to this growth of train-loads. Perhaps it has already been nearly reached on some roads, as the Great Northern, for example; but most of the roads still have room for further progress in this direction.

Seventh, see what proportion the stock bears to the total capitalization of the road—that is, to the total of all its various stock and bond issues. If the common stock is only 25% of the total, the balance of earnings applicable to the common after bonds and preferred stocks have been provided for will shrink rapidly in times of dull business and likewise grow rapidly in time of prosperity. But if the stock is, say, 65% of the total capital, its earnings will be more stable—will fluctuate less with changes in the activity of business.

If, therefore, you are buying a railroad stock in a time of general business prosperity, you are better off to buy the stock of a road which has a large amount of common stock in comparison with its bonds and preferred stocks. But if you are buying in a time of depression (usually the best time to buy) you will do better to buy into a road which has a small amount of common stock compared with its total capitalization.

Eighth, most railroads have an item in the income account called "Other Income." In the case of some roads, as Union Pacific or Reading, this other income, derived from sources outside their own transportation earnings, is very important. It may come from the ownership of stocks of other railroad companies, or industrial companies, or from sales of lands owned, or from oil lands, etc.

It is desirable to study the road enough to find out where the other income comes from and whether it is likely to be permanent or to increase or decrease. This sometimes requires considerable examination, but if the road has a large item of "Other Income," the work is worth while. If you do not have access to the necessary files you can easily get the desired information from your investment house—carefully selected, as before explained—or from THE MAGAZINE OF WALL STREET.

Public Utilities

Bonds and Stocks

The North American Company

A Utility Unscathed by High Costs

Company Showed Big Jump in Earnings Last Year—Traction Losses Written Off—When Costs Decline Company Will Be in Strong Position

By THOMAS VAN MARTER

THE North American Company is a holding corporation controlling a group of electric and gas companies in the Middle West, its principal subsidiaries being the Detroit Edison and Wisconsin Edison Companies. Its record of earnings and dividends has been consistently good, 1919 showing 8.55% earned on the stock, as compared with 5.38% in 1918 the lowest earnings of the decade. Regular 5% dividends have been paid since 1910, the record prior to that date having been somewhat irregular. Estimated earnings for 1920 are running at the rate of about 10% as a result of the rate increases obtained by the subsidiary companies. The surplus of $4,524,000 in 1919 gave the stock a book value of about $115 a share.

There has recently been a plan on foot to change the capitalization from 297,933 shares, par value $100, to the same number of shares of 6% preferred, par value $50, and of common, par value $25. Old stockholders were to receive one share each of the new common and preferred stock in exchange for each share of stock now owned.

The plan was dropped, however, after it became evident that stockholders would not ratify it. The reasons for the contemplated change are not very clear, but it has been denied that the failure of the proposal had anything to do with the change in control of the company.

The results of the election of directors in June indicated that Harrison Williams and his associates had secured 38,000 shares from the Campbell estate and Festus J. Wade, of St. Louis. At the same time that the dropping of the plan was announced, President James D. Mortimer offered his resignation, to become effective November 1.

Detroit Edison Company

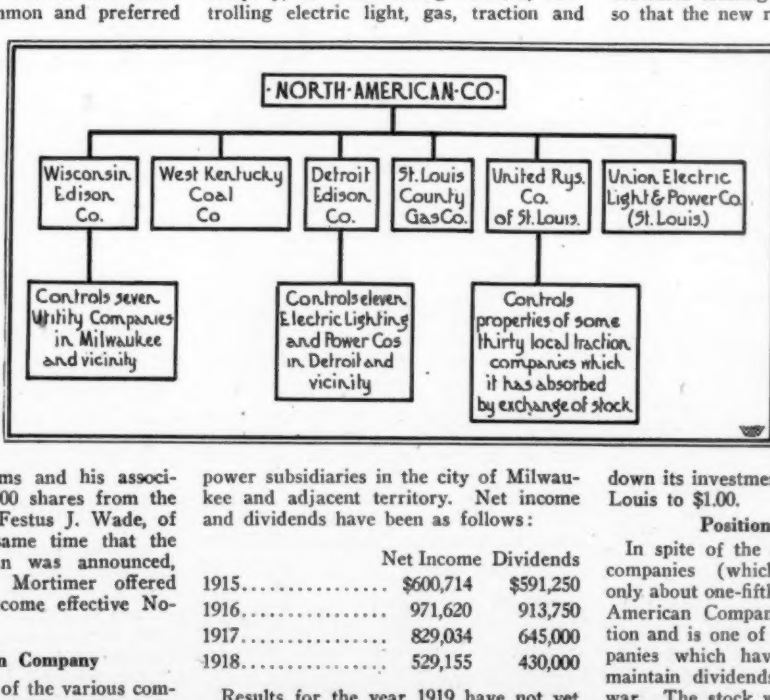
The most important of the various companies controlled by North American is the Detroit Edison. Dividends of 8% have been returned to the parent company since 1916, and 7% was paid during 1910-1915. Earnings on the stock increased from 6.93% in 1910 to 14.61% in 1916, but subsequently fell off to 9.67% in 1919, owing to the rise in the operating ratio from 54.53% in 1916 to 68.86% in 1919. This tendency is rather exceptional, as most of the electric companies throughout the country have reported a decline in their ratios rather than an increase. This has been due to the rapid advance in invention and the development of economies in central power stations, which more than offsets rising costs.

The company has been handicapped in increasing its facilities by the scarcity of labor and material in Detroit. New construction work is now being completed, however, including a 30,000 kilowatt turbine, transmission lines, etc.

The business of the Wisconsin Edison has shown rapid growth, the total number of customers served increasing from 26,000 in 1910 to 89,000 in 1917 (later figures not available). Like the parent company, it is a holding concern, controlling electric light, gas, traction and power subsidiaries in the city of Milwaukee and adjacent territory. Net income and dividends have been as follows:

	Net Income	Dividends
1915	$600,714	$591,250
1916	971,620	913,750
1917	829,034	645,000
1918	529,155	430,000

Results for the year 1919 have not yet been published, but net income for the first six months amounted to $320,878, indicating that earnings held up well last year.



United Railways of St. Louis

United Railways of St. Louis is the weak sister of the North American family. Practically nothing has been earned on the common stock for many years, and in April, 1919, the company passed into receivership, having failed to meet its interest charges by $400,000 in 1918. Following charges of burglary against the General Manager in connection with referendum franchise petitions in July, 1919, a number of new officials were appointed.

In September, 1919, the Public Service Commission granted a schedule of fares averaging between seven and eight cents, to continue in operation for six months. As the six months' period drew to a close the city authorities strenuously opposed continuance of the higher fares, but the commission fixed a straight seven-cent fare to continue until January 1, 1921.

The company has had to grant wage increases totaling 114% since June, 1918, so that the new revenue has been largely (if not entirely) swallowed up. Without 1919 results of operation it is difficult to arrive at any accurate conclusions, however. The receiver recently issued $4,200,000 7% Certificates, part of which was required to meet maturing bonds. It seems unlikely that the receivership can be lifted for some time yet.

The North American Company some time ago wrote down its investment in United Rys, of St. Louis to $1.00.

Position of the Stock

In spite of the troubles of its traction companies (which, however, constitute only about one-fifth of its holdings) North American Company is in a strong position and is one of a very few utility companies which have been able to safely maintain dividends during and since the war. The stock was quoted August 7 at 49½, to yield 10%. The market action of the stock indicates that it is well regarded and points to an improved condition of the company's affairs.

Traction Troubles in the Twin Cities

"Indian Sign" on the Nickel Brings Bad Luck — Company Negotiating New Franchises — Employees Threaten Strike if Seven Cent Fares Not Forthcoming

By OWEN ELY

THE Twin City Rapid Transit Company has suffered in common with other tractions during the period of rising costs and stationary fares. The net earnings, which formerly averaged about 8%, allowing a small margin of safety for the 6% dividend, fell to 2.19% in 1918, but showed a slight recovery to 2.63% for 1919. The dividend was reduced to 2% in 1918, and last year was abandoned altogether.

The company has a small issue of $3,000,000 7% preferred stock outstanding, and as even the low earnings of last year furnished about 26% on this stock, stockholders need have little fear that this dividend will be passed.

The Twin City Company, as its name implies, operates the transit facilities for the cities of St. Paul and Minneapolis, the complete system covering about 450 miles of single track. In spite of local complaints, the company is generally regarded as one of the most efficient tractions in the country with respect to both equipment and service. A water power plant at St. Anthony Falls provides a portion of its power, and the company has been able to hold down its steam power costs through the fact that since 1918 it has held a contract with a coal mine in Illinois by which it obtains its fuel at cost of production, or considerably below prevailing market prices. The company has recently adopted new operating economies, such as the "skip-stop," pay-as-you enter cars, etc.

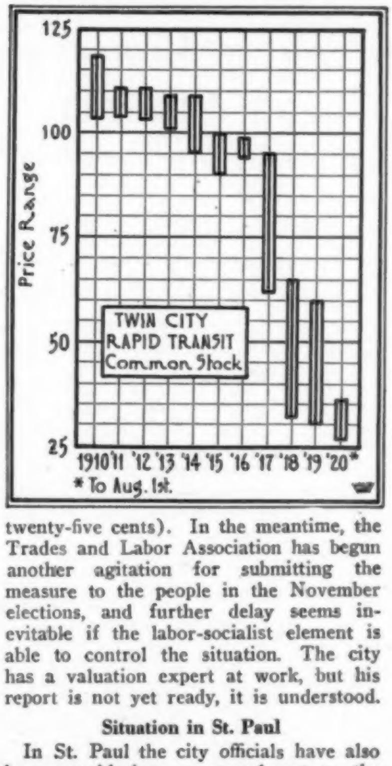
The "Jitney" No Longer Attractive

The company operates its lines under one of the old five-cent franchises, which expires in July, 1923. For some time negotiations have been carried on with the city authorities of both St. Paul and Minneapolis for an immediate revision of the franchise, but no final decisions have yet been reached.

In Minneapolis, the City Council in December last year submitted to the voters a proposition for "cost-of-service" rates on the Minneapolis Street Ry. Co. (the operating subsidiary of the Twin City R. T. Co.) It was estimated that the rate under this franchise would be about six cents. The referendum vote, however, defeated this measure, largely because of Socialistic propaganda, which charged the city officials with an $8,000,000 over-valuation of the property and made various other claims of a sensational nature.

The situation is now further complicated by a threatened strike of the company's employees. Desiring a 40% increase in wages and finding the company's treasury bare, the men decided to take up the matter directly with the City Council, presenting an ultimatum of "seven-cent fare or strike." The company protested against such "direct action," but the executive committee of employees served notice on the City Council that a strike would be called July 1st.

It was later announced that a committee of citizens had interceded in the matter and obtained a postponement of the strike to August 1st, with a promise of arbitration. On July 23d this committee recommended to the Board of Aldermen that the fare be raised to seven cents, and after a stormy session on the 27th the Board instructed the city attorney to draw up a bill virtually fixing a six-cent fare (nominally seven cents, but allowing purchase of four coupons for



twenty-five cents). In the meantime, the Trades and Labor Association has begun another agitation for submitting the measure to the people in the November elections, and further delay seems inevitable if the labor-socialist element is able to control the situation. The city has a valuation expert at work, but his report is not yet ready, it is understood.

Situation in St. Paul

In St. Paul the city officials have also been considering an amendment to the franchise which would permit increasing the fare to not over seven cents, the company being required to make certain provisions for improvements in equipment and service.

Developments have taken a singularly parallel course to events in the other "twin city." Following strike threats, a citizens' board of arbitration on July 19th fixed the minimum wage rate at 60 cents an hour, an increase of 10 cents. The company announced its willingness to put the new scale into effect as soon as the City Council raised the fare. It was estimated that the wage rates would require about a half million dollars new revenue, with an equal additional amount to improve the service to the standard of 1917.

The city, in the meantime, had employed E. W. Bemis, a public utility expert, to appraise the company's property and determine the operating cost per passenger. The Council announced that it would take no further action until the expert's figures were available. A preliminary report has recently been submitted by Mr. Bemis, it is understood, but details are not yet known. It is probable that nothing final will be done until September, but there seems to be little doubt that the seven-cent fare must eventually be granted by both cities.

Common Stock Dividend Doubtful

The amount of new revenue to be obtained from a six-cent fare would be $2,220,000 (based on number of fare passengers carried in 1919), and this would probably only offset the wage allowance and the cost of improved service required. A seven-cent fare would yield (assuming the traffic does not decline) an equal additional amount for the stock. On last year's figures the company needed only $742,000 to restore the 6% dividend. However, making allowance for adverse factors, it does not seem likely that the full six per cent. dividend can be restored for some time unless both cities grant a seven-cent fare.

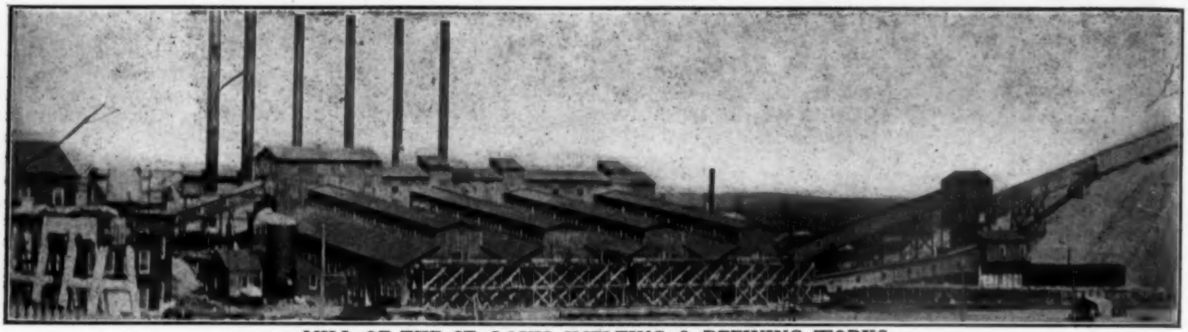
The Twin City stocks are listed on the New York Stock Exchange, the preferred being infrequently traded in. Quotations August 6th, were: preferred, 65@85; common, 33@40. At 70, the preferred yields 10%, which would probably be a fair return; but in view of the great number of excellent rail bargains in the present market, the common would seem to be quoted somewhat too high.

RATE ADVANCES OF 100% ASKED IN ENGLAND

The Rates Advisory Committee of the British Ministry of Transport, according to John H. Needham, London representative of the Irving National Bank, is now working in conjunction with British railway officials on new passenger schedules approximately 100% higher than before the war, while in the matter of freight rates the increase which the railroads have requested is about 112% above the pre-war levels.

Moreover, there is little seeming likelihood of the railroads being returned to their owners by the Government for a long time to come, as the proposal to nationalize the transportation system and the mines is being urged by the strong labor organizations of the country with such vigor that a thorough thrashing out of the subject is assured before its final disposition.

Mining Securities



MILL OF THE ST. LOUIS SMELTING & REFINING WORKS
The Manufacturing-smelting subsidiary of the National Lead Co., located at St. Francois, Missouri

National Lead Co.

Trade Factors Favorable to Country's Largest Dealer in Lead Products

Increased Earnings and Large Surplus Also Strengthen Outlook of National Lead

By **D. I. CASSETT**

THE National Lead Co. was incorporated December 7, 1891, under the laws of New Jersey, to take over plants engaged in the mining, smelting, and refining of lead, zinc, and tin, and in the manufacture of alloys, paints, and other products of these metals. Its capitalization is $50,000,000, of which $25,000,000 is preferred, and $25,000,000 is common stock, par value $100. There is outstanding $24,367,600 preferred stock, and $20,655,400 common stock. The shares are listed on the New York Stock Exchange.

Through its various branches and subsidiaries the company owns and operates a producing lead mine, and various smelters, refineries, and white lead works. The company has twelve branches, scattered over this country, with one—The National Lead Co. of Argentina—located in Buenos Aires.

Through ownership of all or part of their capital stock, the National Lead Co. is interested in numerous other concerns, manufacturing everything from castor oil to expansion bolts.

Subsidiaries and Products

The company's mining property is operated through its subsidiary, the St. Louis Smelting & Refining Co., and includes 1,895 acres of lead-bearing land at St. Francois, southeastern Missouri. Six shafts are in operation, the deepest of which is 565 feet. Lead sulphide ore is mined on each of three levels, and is transported by electric haulage to a 500-ton storage bin. The property is equipped with a 3,000-ton concentrating plant.

Besides treating its own ore, the company treats that from the Baker Lead Co. at Leadwood, and the Boston-Elvins Lead Co. at Elvins. The company has its own power plant, consisting of 32,000 horsepower in steam boilers, supplying five engines and generators of 2,160 kilowatts capacity, two large air compressors, five motor-generator sets for the underground haulage system, and other works.

The products manufactured by National Lead include painters' materials, bearing metals, plumbers' materials, printers' metals, canners' materials, lead oxides, and miscellaneous lead products.

The company's income account for the past ten years, shown in graph I herewith, illustrates its earning capacity.

National Lead has always been conservative with regard to dividends. The preferred dividend rate has been 7% per annum since 1893, payable quarterly. During 1918 and 1919, quarterly payments of 1¼% were made on the common stock. Presumably on account of the company's strong financial position, and its bright outlook, it was announced February 19, 1920, that a quarterly dividend of 1½% on the common stock had been declared. This put the common stock for the first time on a 6% basis. The company's complete dividend record is as follows:

Year	% Paid Pf.	% Paid Com.
1893	7	2
1894	7	3
1895	7	1
1896	7	0
1897	7	0
1898	7	1
1899	7	1
1900	7	1
1901	7	0
1902	7	0
1903	7	0
1904	7	0
1905	7	0
1906	7	2
1907	7	4¾
1908	7	5
1909	7	5
1910	7	4
1911	7	3
1912	7	3
1913	7	3
1914	7	3
1915	7	3
1916	7	4
1917	7	5*
1918	7	6½†
1919	7	5
1920	7	6

*Including a Red Cross dividend of 1%.
†Including extra dividends of 1% for Red Cross, and ½% for United War Work Campaign.

Peace Stock Quickly Absorbed

During the war the sale of National Lead's staple products dropped to the lowest point in the company's history. Lines of manufacturing of relatively small importance came into prominence. Increased tonnage resulted in increased profit in these lines, although the margin of profit was less than in pre-war years.

The company entered the year 1919 with large stocks of merchandise on hand. The price of pig lead was falling rapidly. There was a general expectation of lower prices. Consumption was greatly reduced. The company's sale of white lead for the first six months of the year was the lowest it had ever experienced.

In midsummer a demand from ultimate consumers set in, which found dealers devoid of stock, and taxed the capacity of

the company's plants. The sales for the last six months of the year were the largest ever known for that period, bringing the total sales for the year up to a little less than the average of pre-war years.

The decline in the price of pig lead from 8 cents a pound, at the signing of the armistice, to a low point of 5 cents a pound caused the closing of many mines, with a result that when the demand for manufactured lead products set in there was an actual scarcity of pig lead. This, together with the shortage of spent tan bark and corroding pots, made it impossible for the company to increase manufacturing so as to fill orders promptly.

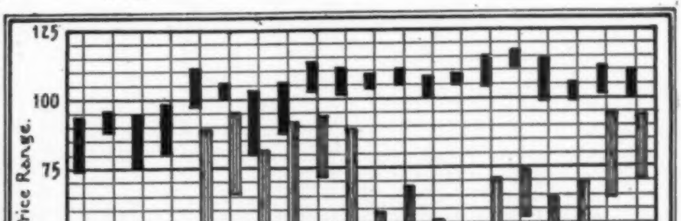
At the beginning of 1920 the company had practically no manufactured stocks of white lead on hand, and was 10,000 tons behind in its orders. White lead is in great demand, as large quantities are consumed in connection with new building operations which are trying to make up for lost time during the war.

The sales of red lead, litharge and orange mineral, have increased in like manner, largely due to the increasing demands of electric storage battery manufacturers. Sales of mixed metals and other manufactured lead and tin products have held up well.

On the whole the internal affairs of the company are satisfactory, and if there are any clouds on the horizon they are such as threaten business generally and are not peculiar to the National Lead Co.

The South American Branch

Prior to the war the company enjoyed a considerable export trade to Europe. During the war the company established the National Lead Co. of Argentina, located at Buenos Aires. The business of this branch has been profitable, war conditions having enabled National Lead Co. to make its goods known to South American consumers, and it is believed that the superior quality of the goods will enable the company to hold this trade.



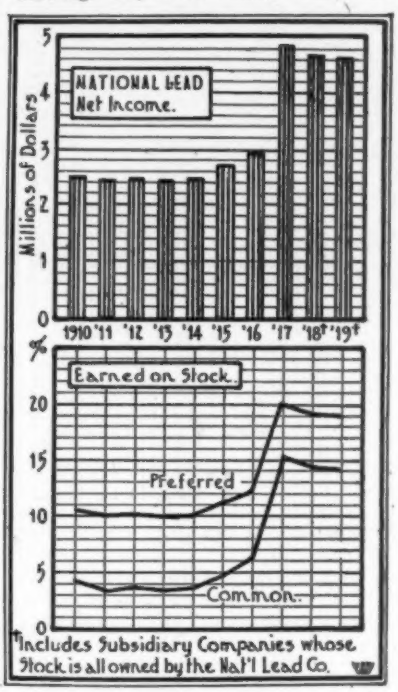
The disturbed condition of European coroders created a very large demand for the National Lead Co.'s goods during the past year, which it has been unable to supply because of its inability to take care of domestic demands.

During 1919 the company sold all the capital stock of the Heath & Milligan Mfg. Co., an Illinois corporation engaged in the manufacture of prepared paints, at Chicago, Ill. In January, 1919, the company purchased all the property of the Hirst & Begley Co., an Illinois corporation engaged in the crushing of linseed oil in its plant located in Chicago, Ill. It was reorganized into the Hirst & Begley Works, a branch of the National Lead Co.

The National Lead Co. has purchased the capital stock of its associates in the U. S. Cartridge Co., and is now the sole owner of that company. This transaction was completed in January, 1920. It is believed that the profits of the National Lead Co. in its investment in the U. S. Cartridge Co., made in 1910, will be about $2,000,000. Whatever the profits may prove to be, they have been invested in acquiring complete ownership of the company and supplying working capital, thereby giving permanency to the value of the previous investment.

War Record of U. S. Cartridge Co.

At the beginning of the war the U. S. Cartridge Co., in ten months' time, constructed two large plants on leased ground, equipped them with machinery, increased its working force from 400 to 8,000 employees, and its daily output of military cartridges from 25,000 to 1,500,000. When the United States Government entered the war, additional buildings were leased, and at the date of the armistice the company had 15,000 employees, and was turning out daily about 4,500,000 cartridges, in addition to primers and boosters.



Its sales of shotgun shells and sporting ammunition are increasing rapidly and its equipment to produce them has been very much improved. In addition to the manufacture of shotgun shells and sporting ammunition the company will seek contracts to manufacture all kinds of machinery and tools, requiring great accuracy and fine adjustments, which it is well fitted to do by reason of its complete equipment and the experience and skill of its engineering and mechanical departments.

Stock Purchases by Employees

In the belief that it would be advantageous to the company to encourage those in its service to become owners of shares of its common stock, the company acquired on the market at an average price of $60 per share 6,600 shares of the common stock of the company for its employees, who were permitted to pay for it in monthly payments to be deducted from their salary or wage for a term of three years. The management believes that this practice will give its employees a stockholder's point of view, encourage thrift, and tend to improve morale. It has the advantage over any other profit-sharing scheme proposed in that the interests of the company and the employee at no time become antagonistic.

At the close of 1919 the National Lead Co. had 7,263 stockholders, of whom 4,985 held preferred stock only, 1,810 held common stock only, and 468 held both preferred and common stock. The number of women owning stock is 3,731, of whom 2,902 hold preferred stock only, 641 hold common stock only, and 188 hold both preferred and common stock. Over 51% of all the stockholders are women, and they hold nearly 32% of the stock. During 1919 the stock accounts closed numbered 1,273, and 1,259 accounts were opened.

Conclusion

The outlook for National Lead is favorable. As a producer of lead it is bound to share the prosperity ahead of lead producers, in view of the absence of a domestic supply of the metal, and an increased demand.

However, the company produces less than half the lead it consumes, and although it profits through the high price of lead from the producer's standpoint, this high market price has the reverse influence insofar as it (the company) must buy lead for manufacturing purposes.

On the other hand, as a manufacturer of lead products, the company is enjoying the great demand for these products at advanced prices. Therefore, it appears that at the present time, all influences conspire in favor of the company's continued prosperity.

A review of the market behavior of the preferred stock shows that it is an investment issue, yielding a little less than 7%, and offering opportunity for limited loss or profit due to market fluctuations. The common stock offers speculative opportunities, on account of its activity and price range, with little chance of serious loss in view of its earning power and chance for substantial appreciation if purchased near the bottom of any of its regular swings.—vol. 25, p. 570.

St. Joseph Lead Co.

World Shortage of Lead Presages Good Times for Lead Producers

St. Joseph Lead, with Big Reserves and Conservative Financial Policy, Should Be in the Vanguard—Has Paid $21,000,000 in Dividends

By C. S. HARTLEIGH

THE St. Joseph Lead Co. was organized under the laws of New York in 1864. The period of its existence under its original charter was for 50 years. Subsequently, in 1909, the charter was amended, making it perpetual.

The company was originally organized with a capital stock of $1,000,000, divided into 100,000 shares of the par value of $10. The authorized capital stock was increased from $1,000,000 to $1,100,000 on Dec. 18, 1883; to $1,500,000 on July 14, 1886; to $3,000,000 on Feb. 25, 1891; to $6,000,000 on Dec. 10, 1902; and to $20,000,000 on Jan. 31, 1906. The outstanding stock was increased to $1,000,000 in 1884; to $2,500,000 in 1891; to $3,750,000 in 1892; to $3,770,000 in 1903; to $4,712,500 in 1905; to $10,000,000 in 1906; and to $14,094,660 in 1914. The outstanding stock was listed on the New York Stock Exchange in April of last year and the unissued stock may be listed when issued. Formerly, the stock was traded in on the New York Curb.

The Company's Operations

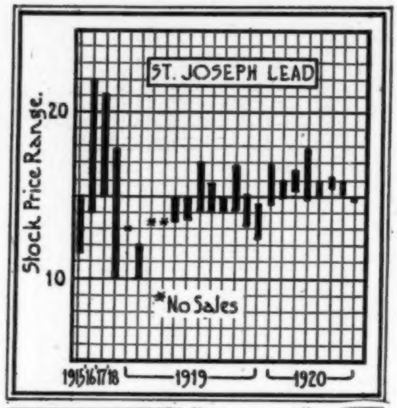
The company is engaged in developing and operating mines and mineral lands, and in milling, smelting and refining lead ores, and in allied business. It is the largest independent lead producer in America and second in production only to the American Smelting & Refining Co.

Under its articles of incorporation, as amended Feb. 19, 1917, the company has the right to purchase and acquire, hold and dispose of stocks and bonds of other corporations. The company owns $2,988,000 of the $3,000,000 capital stock, and $375,000 of the $2,500,000 bonds of the Mississippi River & Bonne Terre Railway; $499,100 of the $500,000 capital stock of the Bonne Terre Farming & Cattle Co.; all the capital stock of the Doe Run Lead Co.; and the entire $250,000 bonds of the St. Francois County Railroad Co.

There is no bonded or mortgage indebtedness of any kind on the properties owned directly by the company. One of its subsidiaries, the Mississippi River & Bonne Terre Railway Co., has outstanding $1,639,000 of first sinking fund 5 per cent bonds, also $861,000 in sinking fund and treasury.

The St. Joseph Lead Co. owns directly the mineral rights on about 6,484 acres of lead-bearing land in southeastern Missouri, of which 4,244 acres are in the Flat River-Leadwood district, and 2,240 acres are in Bonne Terre. Through ownership of the properties acquired from the Doe Run Lead Co. it also owns mineral rights on 7,054 acres in the Flat River-Leadwood and Doe Run districts.

Production from the ores in this region began in 1869. The producing area is within 5 miles of the towns of St. Francois and Desloge. The production of ore



ST. JOSEPH LEAD'S REMARKABLE DIVIDEND RECORD.

Year	Capitalization	Rate %
1874	$1,000,000	3
1875	1,000,000	3
1876	1,000,000	12
1877	1,000,000	2
1878	1,000,000	None
1879	1,000,000	None
1880	1,000,000	None
1881	1,000,000	6
1882	1,000,000	8
1883	1,000,000	6
1884	1,100,000	6
1885	1,100,000	8
1886	1,100,000	16
1887	1,100,000	8
1888	1,100,000	16
1889	1,100,000	8
1890	1,100,000	16
1891	2,500,000	12
1892	2,500,000	12
1893	2,500,000	8
1894	2,500,000	5½
1895	2,500,000	6
1896	2,500,000	6
1897	2,500,000	6
1898	2,500,000	6
1899	2,500,000	6
1900	2,500,000	6
1901	2,500,000	6
1902	3,750,000	6
1903	3,770,000	6
1904	3,770,000	6
1905	4,712,500	6
1906	10,000,000	6
1907	10,000,000	6
1908	10,000,000	6
1909	10,000,000	6
1910	10,000,000	6
1911	10,000,000	6
1912	10,000,000	6
1913	10,000,000	5
1914	14,094,660	2½
1915	14,094,660	6
1916	14,094,660	10
1917	14,094,660	25
1918	14,094,660	20
1919	14,094,660	11
1920	14,094,660	5

(Mar. 20)

and pig lead by the St. Joseph Lead Co. for the past 6 years has been as follows:

Year	Tons Ore	Tons Lead
1914	1,989,047	77,404
1915	2,127,333	84,356
1916	2,431,939	91,073
1917	2,485,431	94,820
1918	2,999,490	79,620
1919	1,978,922	68,000

The company owns and operates in St. Francois County, Mo., three concentrating mills, the Bonne Terre mill with 2,400 tons daily capacity, the Leadwood with 2,000 tons and the Rivermines with 4,200 tons.

The company and its subsidiaries handle 8,600 tons of ore, out of a total daily output of 20,000 tons for the district.

During 1919, six shafts were operated, and No. 16 shaft was completed to a depth of 650 feet. Development work opened a new ore body.

The company's ore reserve is estimated at 19,450,000 tons of developed, and 15,525,000 tons of undeveloped ore.

Big Smelter at Herculaneum

The company owns at Herculaneum, Jefferson County, Mo., a smelter capable of treating 12,000 tons of concentrates a month, and with an output of 120,000 tons of pig lead a year. The plant is equipped with the most modern system for smelting and refining lead ores. It is located on the main line of the Mississippi River & Bonne Terre Railroad, which connects with the Iron Mountain Division of the Missouri Pacific Railway System at Riverside, a distance of two miles from Herculaneum. The plant is situated directly on the bank of the Mississippi River.

The Mississippi River & Bonne Terre Railway is a standard gauge line operating between Riverside and Doe Run, a distance of 46 miles. It has yard tracks and sidings aggregating 30 miles. The railway owns without any equipment liability, 21 locomotives, 15 passenger cars, 905 freight cars, and 8 work equipment cars. It paid dividends of 1½ per cent in 1915, 6 per cent in 1916, 6 per cent in 1917, and 6 per cent in 1918.

The Bonne Terre Farming & Cattle Co. owns the surface rights to about 35,000 acres of land in St. Francois, Jefferson and Washington counties, Mo., the mineral rights of which are owned by the St. Joseph Lead Co. It owns about 1,000 houses for the use of the employees of the St. Joseph Lead Co. at Bonne Terre, Leadwood, Rivermines, Doe Run, and Herculaneum. It operates about 700 acres of farm lands for the purposes of the lead company, and also engages in the raising of live stock. This company also owns and operates several stores located in the various districts above enumerated.

The St. Joseph Lead Co. has a noteworthy dividend record. The total is over $21,000,000, exclusive of distributions from its amortization reserve, and exclusive of stock dividends, annual payments being itemized in Table I herewith.

Ample Amortization Reserves

During 1916 the company set up an amortization reserve, based on capital of $20,000,000, an estimated life of 20 years, an annual ore production of 2,000,000 tons, and an annual lead production of 80,000 tons. Whenever the company's monthly sale price of lead exceeds $60 per ton, a charge of 2c per ton of milled ore for each dollar of such excess is charged to profit and loss surplus, and credited to reserve for amortization. The company distributed on its capital stock, from its amortization reserve, 15 per cent in 1916, and 10 per cent in 1917. It has paid stock dividends of 33 1/3 per cent in 1891, 50 per cent in 1902, 25 per cent in 1905, and 100 per cent in 1906. The policy of the company is to set up a reserve for depreciation in each year equal to 5 per cent of the value of its buildings and machinery.

During the latter part of 1919 there was a growing demand among almost all classes of lead consumers, and after running at reduced capacity throughout the year, the company was encouraged to return to full production early in 1920. It is now sharing the prosperity of lead producers generally, due to the heavy demand for the metal in the face of meagre supply, and limited productive capacity of lead producers.

HOW THE LEAD ORE IS STOPED OUT

A typical scene in underground mining in one of the flat veins in the Southeastern Missouri Lead District

The World's Lead Requirements

Ordinarily the United States produces about 50 per cent of the world's supply of lead, but this production is insufficient at the present time to meet the demands for home consumption. During the past year lead has been imported from England, Australia and Spain, and some lead which was exported to England was reimported. Lead which in normal times was produced in Mexico, and passed through the United States in bond for exportation to European countries, has recently been held here to satisfy our own demands. The supply of lead in this country, and the changes in lead stocks for the first half of 1920, as compared with the same period of last year, are interestingly set forth in the following figures from the *Metal Bulletin*.

	1919 tons	1920 tons
Gov. stocks, Jan. 1	62,852	54,978
Imports, Jan.-June	152,258	62,433
Available supply	215,110	117,408
Exports, Jan.-June	6,579	29,725
Left for home consumption	198,531	88,684

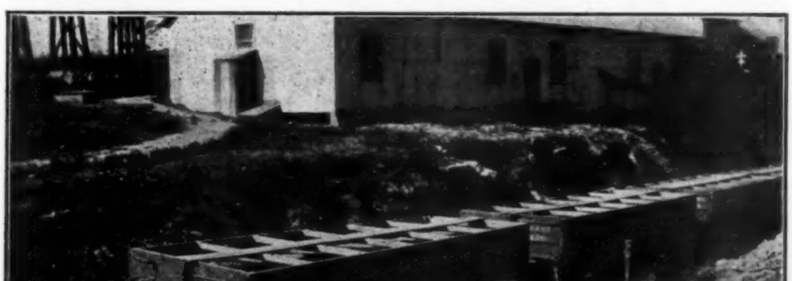
The three most important uses for lead are in the manufacture of white lead for the paint industry, which requires over 175,000 tons annually; in the manufacture of storage batteries, which absorbs over 150,000 tons of lead annually, and has increased between 50 per cent and 100 per cent per annum during the last three or four years; and in the manufacture of cables and conduits. The battery trade has been increasing rapidly in importance, due to wider application of storage batteries for starting and lighting purposes on automobiles, for mine locomotives, for the operation of small motors in industrial plants, and for farm lighting plants. Building operations have been falling below normal requirements all over the country, and are now forcing a big demand for paint and plumbing supplies, which helps to swell the total demand for lead to a tonnage which exceeds production.

In view of the increasing demand for lead and lead products, the absence of any reserve supply of the metal, and the inability of lead producers to materially augment their production, lead is in a very strong statistical position, and is likely to remain so for some time to come, in spite of the fact that the present price of the metal is much higher than obtained over a long period of time prior to the war. Consequently, corporations engaged in lead production are likely to enjoy a period of prosperity that cannot help being reflected in earnings and dividends.

The stock market fluctuations in the price quoted for St. Joseph Lead Co.'s shares have been narrow and slow recently. Prior to its listing on the New York Stock Exchange, its range of prices on the New York Curb was from as high as 22 to as low as 10.

Since listing on the New York Stock Exchange the fluctuations have been from a high of 17⅞ to as low as 13¼, up to Aug. 6 of this year. The price movement is shown in detail in the graph.

In view of the company's strong financial position, its large ore reserve, and the bright outlook for future prosperity, its shares appear to be selling below their intrinsic value, and offer an attractive speculation which is as close to an investment as mining shares are likely to approach. The company is conservatively managed by strong and experienced operators. Its shares have lacked market popularity due to the fact that they are not held by any interests or pool engaged in manipulating their market price.



ORE EN ROUTE TO THE SMELTER

Concentrates ready for shipment at the Rivermines mill of the St. Joseph Lead Co. This mill treats 4,200 tons of ore a day.

Petroleum Securities

Cosden & Co.

One of the Best Equipped Oil Refiners in the Country

Cosden's Plant at West Tulsa Second to None in Equipment and Efficiency— Company Making 200% Profits in Casinghead Gas—Also Has Good Production

By J. GRANT

MANY oil companies have been organized in recent years only to pass into the "Sargasso Sea" and rest there in oblivion, soon forgotten by everyone but the unfortunate stockholders. A few, however, have withstood the test of time and, by reason of the experience and hard work of those responsible for them, have reached the point where they may be considered substantial and proven concerns.

About ten years ago, J. S. Cosden was developing territory in the oil field of Oklahoma in a small partnership. He was favored with good success and in 1913 the Cosden Company was organized as a consolidation of the Colonial Refining Co.—The Southwestern Refinery Company and J. S. Cosden & Co. This was one of the first independent oil consolidations and its early success did much to focus the attention of the investing public upon the possibilities of the oil industry, especially for "independents."

The young company had a small amount of production and operated refineries at West Tulsa, Bighart and Cushing, Okla. The initial capitalization was $1,000,000, but was increased to $8,000,000 three years later. At that time, a company known as the Cosden Oil and Gas company was organized with a capitalization of $12,500,000, of which 700,000 shares were preferred and 1,800,000 shares common stock. The par value of both preferred and common was $5.00.

The Cosden Oil and Gas Co. was a producing company and many large and valuable producing properties were acquired by it. Many of these properties were secured when crude was selling at 75 cents a barrel. The most famous of the properties purchased were the Hill properties in the Fox pool. The profits made by the company from this purchase have been a very handy argument in the past year for lease sellers anxious to convince prospective purchasers.

Delaware Company Formed

In 1917, Cosden & Co. of Delaware, was organized with a capitalization of $32,000,000 divided into 5,000,000 shares of common stock and 1,400,000 shares of preferred stock, bearing cumulative dividends of 7%. Par value of each issue was $5.00. This newest company was formed to acquire Cosden & Co. of Oklahoma and the Cosden Oil and Gas Co., and in this manner create a single economic unit which would produce and refine crude oil and distribute its products.

The new Delaware company secured practically all of the outstanding stock and bonds of the two companies. Last February the common stock of the Delaware company was changed from a $5.00 par basis to a no-par basis, and the new stock was exchanged for the old on a basis of five shares of the old for one of the new. The par value of the preferred still remains at $5.00. Enough of the old $5.00 par value stock was authorized to provide for the retirement of the outstanding stock of the Cosden & Co. of Oklahoma and the Cosden Oil and Gas Co., and to retire the preferred stock of the Delaware Company. The present outstanding stock of Cosden & Co. is:

Class.	Issued Shares.	Outstanding Shares.
Preferred (Par value $5.00)	1,400,000	719,008
Common (" " 5.00)	468,880	5
Common No par value	1,400,000	911,394*

*93,775 shares in addition, reserved to retire the common (par value $5.00) which will be issued to retire outstanding common stock of Cosden & Co. of Oklahoma, Cosden Oil and Gas Co. and preferred stock now outstanding.

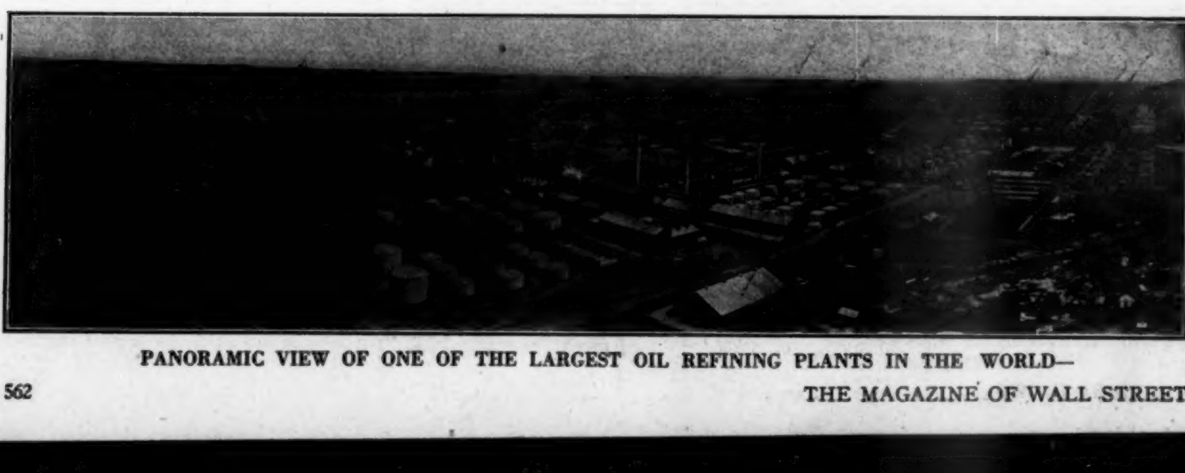
In addition to the above, $11,423,500 of fifteen-year convertible sinking fund gold bonds were issued. The issue matures on July 1, 1932, and bears interest at the rate of 6%. The bonds were originally issued in two series, with different conversion rates, but since 1919 they have become precisely alike. The bonds are secured by the entire properties, present and future, and all the assets of the subsidiaries.

Company's Conservative Policy

While Cosden was one of the first of the so-called minor independents, it has not expanded as rapidly as some companies organized subsequent to it. The policy of the company has been one of conserving and developing what properties it acquired early in its existence instead of entering into new fields of endeavor. It has, of course, acquired new properties from time to time in the Mid-Continent Fields, and has practically rebuilt its refinery, but it has not entered into any foreign fields either in the producing or marketing end, nor has it expanded its domestic business to any large extent during the past few years.

The main producing properties of Cosden are located in Oklahoma. The company also has some production in Kansas and Texas, but this is only a very small percentage of its total production. Cosden embarked last year upon a very extensive drilling campaign in Texas, mainly in the Desdemona and Stephens County territory. At one time, it appeared that the investments in these localities would prove very profitable, but the field soon went "dry." As a result, it is very probable that to date the company has had to write off a very substantial loss.

The total production in Texas, according to an official announcement of



PANORAMIC VIEW OF ONE OF THE LARGEST OIL REFINING PLANTS IN THE WORLD—

April 10, was 166 barrels a day from 15 wells, or a little over 11 barrels per well. There is not any profit in operating with this production in the "deep lime" territory.

Recently some additional wells were brought in in Stephens county; but this production is not considered in the above figures, as it is too recent to determine just what the final developments on this property will be.

In Kansas, the Cosden production is located in Butler and Greenwood counties, where the company up to a recent time was recovering an average of 466 barrels a day from 49 wells, or a little less than 10 barrels per well. These leases were only about one-third drilled and there should be locations for at least one hundred additional wells. Operations can be carried on much cheaper in that territory than in Texas, and this property should eventually pay an excellent return on the investment.

The production in Oklahoma is about 10,500 barrels a day, and all of it can be considered settled. The best producing property is located in Creek county and consists of about 4,000 acres located in the heart of the Cushing field, which is probably the best producing oil field ever discovered in this country. Here the company has 231 wells producing about 12 barrels a well.

It has just been discovered that there is another producing sand underneath the one from which Cosden is obtaining most of its present production, and this should increase the value of this property very materially.

The balance of the company's production is scattered over twelve counties in Oklahoma, with the major portion coming from Carter, Garfield and Osage counties. The company, in addition, owns about 292,000 acres of undeveloped property, but a good portion of this is absolutely "wildcat" and its value is yet to be demonstrated.

Earning 200% on Casinghead Gas

In addition to its oil operations, Cosden is an extensive producer of casinghead gasoline, a large percentage of which is recovered from gas from its own producing properties. That these investments are highly profitable is shown by the earnings on the Casinghead plant, which run very close to 200% a year. The production of this product is about 30,000 gallons a day, a figure which the company should be able to maintain for many years.

At one time, Cosden operated three refineries, one at Bigheart, another at Cushing and a third at West Tulsa. The Bigheart refinery has since been sold, however, and the one at Cushing is not being operated. The company is concentrating on its West Tulsa refinery, which is considered by practical refiners to be the equal, if not the superior, of any refinery operated by an independent, and the equal in efficiency and completeness, if not in size, of any owned by the Standard interests.

This West Tulsa refinery is equipped to manufacture almost all known petroleum products. It has about 70 pressure stills, which greatly increase the yield of gasoline by taking a large amount of gasoline from gas. The daily capacity of the plant is 25,000 barrels of crude, when it is run down to coke, and greatly in excess of this when used only for a skimming plant.

A statement issued on April 10 showing the market output of the refinery for the year 1919 gave about 3,500,000 barrels of petroleum products sold, exclusive of wax and coke. This is about 10,000 barrels a day, and it is very probable that the average amount of crude charged per day, was less than 15,000 barrels. It is also well to note the increase of gasoline produced for 1919 over 1917, shown in the statement referred to, and amounting to almost 250%, while the yield of gas and fuel oil was decreased about 500% during the same period. A large portion of the gas and fuel oil was turned into gasoline.

The marketing policy of The Cosden Company has been to distribute its products on a wholesale or jobbing basis rather than selling direct to the consumer. For many years a large portion of its products has been sold to the Standard Oil Company and this year a contract was made with the Standard of Indiana for the sale of a large percentage of Cosden's gasoline and refined oils.

Earnings Have Grown Steadily

The earnings of The Cosden Company have shown a good increase from year to year. The increase for 1919 of 60% is the largest single increase. The preferred stock is very inactive and is selling at present around 4¼ to 4½, with very little offered. The yield on this is approximately 8%, which is generous, considering the security. The earnings are running many times over the dividend requirements of the preferred stock.

The 6% convertible bonds are amply secured, the assets behind these bonds amounting to over $50,000,000, or about five times the issue. The interest requirements on the bonds are about $600,000. As the company's net earnings are about ten times this amount there is little doubt of the interest charges being paid. The straight yield on the present price of the bonds is about 6½%. The company has the right to retire these bonds at 110, and they can be converted into common stock at the rate of $62.75 face amount of bonds for one share of stock. The stock is a long way from this price, and it seems very probable that these bonds will be retired in the open market.

The value of the outstanding common stock at the market price of $34 is about $33,500,000. The earnings of 1919 were approximately $6,000,000.

The company's stock has a book value of over $50 a share, and there is a surplus of about $16,000,000. The reserve for depreciation, depletion, etc., is about $10,000,000. The policy of the company in charging off depreciation of 10% a year seems ample. Last year the company disbursed 50c a share in cash and 2½% in stock, which was 14½% of the then par value of $5.00. If the company maintains the same rate for 1920, the yield at the present price would be nearly 10%. The earnings this year should show an increase over those of 1919 and the stock, in my opinion, may be considered a fair purchase at the present market price.—vol. 25, p. 881.

FEWER OIL COMPANIES FORMING

One hundred and thirty-three companies with an authorized capital of $50,000 or greater were organized during July to engage in some branch of the petroleum industry, according to *The Journal of Commerce*. This was one more such concern than was started in June, but the aggregate authorized capital involved was only $116,841,000, as compared with $161,275,000 in the preceding month. An even larger discrepancy exists between the record for July of this year and that for July, 1919, when 161 oil companies were chartered with an aggregate authorized capital of $586,216,000. The slackening of interest in new oil enterprise as measured by the indicated investment in the industry has now been under way for three months, the July total marking a decline of almost $200,000,000 from the $316,129,700 reported for April.

THE COSDEN WORKS AT TULSA, OKLAHOMA, EQUIPPED TO TURN OUT ALL PETROLEUM PRODUCTS

READERS' ROUND TABLE

POSTAL REPLY COUPONS

Editor, The Magazine of Wall Street.

Sir: I have read with much interest the recent operations of Mr. Charles Ponzi, of Boston, Mass., in which he made several hundred per cent profit by taking advantage of the foreign exchange rates between different countries, and as far as has been brought out in the investigations, his method seems to be straight and without much risk.

Would you explain this method to me?

T. B.

The international postal reply coupon is another form of prepaid postage. Let us illustrate: If you lived in Paris, France, and desired an immediate reply to a letter sent to this office, you would not, of course, put a French stamp on your self-addressed envelope, for the reason that a letter bearing such a stamp could not be sent out from this side.

You might put an American stamp on it, but in all probability you would have a great deal of difficulty in securing such a stamp. So in order to obviate all this trouble, the International Postal Union has devised a common stamp by the use of which one may prepay an answer from a correspondent in a foreign country.

Accordingly, you would obtain one of these coupons from a French post office and enclose it in your letter to us. We would then take this coupon to an American post office and exchange it for its stated value in American stamps. Then we would put these stamps on your self-addressed envelope and mail it to you. This is the way the International Postal Reply coupon is used.

The method of operating in International Postal Reply coupons and the one that Ponzi evidently followed in his operation, is as follows: One could go to his local bank, in this country, and arrange there for a deposit in some foreign bank. Let us begin with Germany: For instance, one might take $1,000 to one of the banks on this side and arrange to have that sum deposited in a German bank. For this $1,000 one would receive about 40,000 marks at the current rate of exchange, namely, about 2½ cents per mark.

With the German deposit one could buy about 160,000 reply coupons, these coupons being sold around the world at about 6c. each, so that on normal exchange basis one could buy about four of these coupons for one German mark, the mint value of the German mark being approximately 24c.

Then one could take the 160,000 coupons over to Paris, where the American exchange rate is much more favorable, and exchange them for their equivalent in French postage stamps. Or, to make things easier, the coupons might be exchanged for currency at the rate of 25 centimes apiece; that is, for 4,000,000 centimes, or 40,000 francs, one could purchase a draft on New York for about $3,100, at the current rate of exchange, i. e. about 13 francs to the dollar or the equivalent of about 31% on the capital invested.

Of course, this is merely a presentation of the theoretical aspect of the coupon operation. The practical side of the question presents any amount of difficulty. To operate as the Boston speculator apparently did one would have to do either of two things—gather an immense army of agents abroad to exchange the coupons for stamps or currency, or else have only a few agents who had a strong "pull" with the postal authorities of the countries concerned.

If one were to bring as many as 160,000 coupons to be exchanged daily, as in the example given above, naturally enough the postal authorities would be curious to know how so many coupons came into the possession of the operator, and should they find out that it was merely a scheme for the enrichment of the latter, they would, if they were honest, immediately put a stop to it.

IS WALL STREET GUNNING FOR THE WEST?

Editor, The Magazine of Wall Street.

Sir: My experience has led me to believe that the chief object of the men who deal in Wall Street is to rob the men that live in the West to the fullest extent possible.

About three years ago I had a little money, and with it I bought 100 shares of Booth Fisheries common at $24.75 a share. The company was paying regular quarterly dividends of 50 cents a share.

It was this dividend and the representations as to the fine condition of the business that caused me to invest in the stock.

But soon the company ceased paying dividends at all. Mind you, it did not reduce the dividend, as honest people would do if adverse conditions required it. They just held the money and treated those of us who were fools enough to place a particle of confidence in them like a lot of dogs.

Such brutes ought to be shipped to Russia for a thorough course of surgical treatment, or we ought to apply effective remedies ourselves.

W. T. K.

Your experience with Booth Fisheries stock is unfortunate, but the final result of your investment will not be so disastrous, perhaps, as you imagine. It is true that the company ceased paying dividends on the common stock, but, since you are so far from sources of reliable information, it is not strange that you should err in your conclusions as to the cause, and blame the company's management.

The real blame for the faltering of this company, in its prosperous progress, lies indirectly with the United States Government and directly with the conditions brought about by the World War. When this government entered the war, it took over the fisheries industry. The result has been the same as with the railroads. The industries were handed back to private control in a greatly depreciated condition. That is the real reason for the directors discontinuing the dividends on the common stock.

With the interest on the funded debt to be taken care of and the depreciation to be replaced, it was necessary to conserve the cash resources. This conservation policy is being continued and by degrees it is expected the company can be brought back to its stable condition.

It is not anticipated that the common stock will receive dividends in the next two or three years, but eventually the dividends should be resumed. In the meantime, the financiers will be aiding in the task of financially rehabilitating the semi-wrecked business returned by the Government. Even now the Government is dumping some of the company's high class pack back on the market, to the detriment of its business.

We can say for your encouragement that the future prospects of the company look promising. Your only course is to hold your stock and watch the market quotations for an opportunity to dispose of it without loss.

In March, 1919, you could have sold it at 25 and again in July. Since that time it has steadily decreased in price. In the future, however, we look for a gradual change for the better.

We suggest that you revise your view of Wall Street. It is true that there are rascals in the financial district, as there are everywhere else, but the general effort of the "Street" is to build up, rather than tear down, for prosperity throughout the country means prosperous times for Wall Street.

BUILDING & LOAN ASSOCIATIONS

Editor, The Magazine of Wall Street.

Sir: Some five or six years ago I started investing my savings in Loan & Building Associations in what they call instalment stock, which pay 7% compound interest and also the Paid-up Stock, which pays 6% cash dividends, and I was under the impression that I was putting away my savings as safe and with as big a dividend as there was.

But now, as things and times have changed, I've got an idea that I could do better by investing in some of the rail, industrial or foreign bonds or common stocks. Have invested in Japanese government bonds but am not really sure if they are good and safe. Could you please inform me as to what stocks or bonds to buy to better my income yield?

E. D.

If the Building Loan Association in which you placed your savings some years ago is still in a prosperous condition, and has paid interest promptly right along, we should not advise you to change into stocks or bonds in the present market. You appear to have made a good investment, and would be wise to let well enough alone. There are very few failures of reputable building and loan associations noticed throughout the country. We think your investment in Japanese Government Bonds is a safe one, but we would not advise you, without special knowledge of the issue, to invest in foreign bonds of any description.

Trade Tendencies

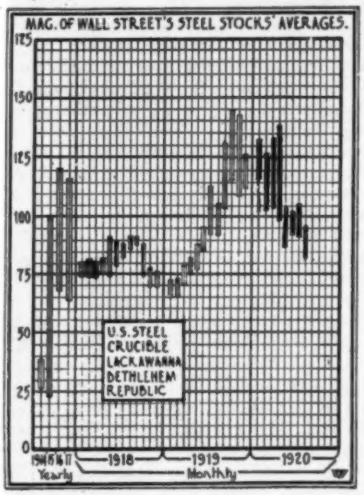
Prospects of Leading Industries as Seen by Our Trade Observer

THE average investor has neither the time nor the opportunity to follow developments in the various industries, although such developments at times are of vital importance in the consideration of the long range prospects for securities. This department will summarize and comment upon the tendencies in the more important trades as expressed in the authoritative trade publications and by recognized leaders in the various industries. As the general tendency in a given trade is but one of the many factors affecting the price of securities representing that industry, the reader should not regard these trade tendencies alone as the basis for investment commitments, but merely as one of many factors to be considered before arriving at a conclusion.

Steel

Production Down and Prices Up

The rate of steel ingot production dipped heavily in July, after a fair recovery in May, reflecting the continuance of transportation difficulties, the accumulation of products at the sources of pro-



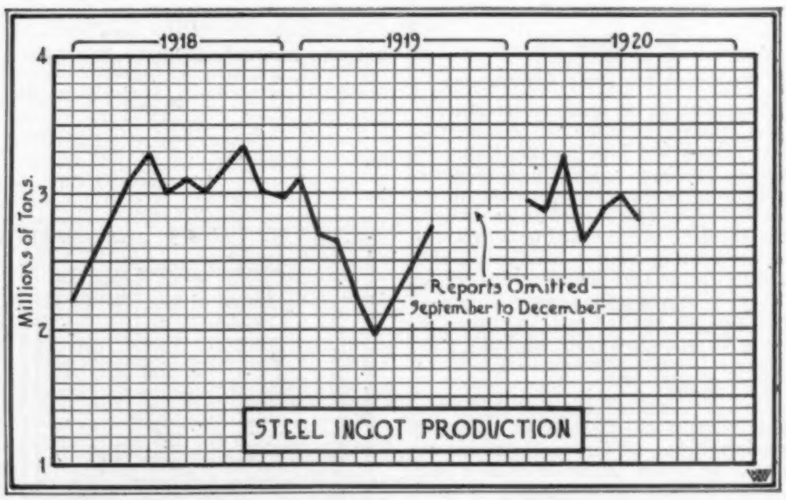
To Aug. 11

duction, and to some extent decreasing demand from industries like motor car manufacture. The latter has been more than replaced by increased activity in the production of agricultural implements, and the beginnings of the long-expected wave of railroad equipment buying are already perceptible.

One of the first results has been a stiffening in the pig iron market, already strong because of limited supplies, fuel shortage, and traffic congestion. A price of $50 for iron, predicted months ago by some interests, has already been touched in a few transactions and may become a basic price-level for some time ahead. Buyers are making strenuous attempts to book orders as far ahead as they can, but there is a tendency on the part of producers to go slow on 1921 business.

In the steel industry as a whole, informed opinion differs as to the trend of prices. The strong underlying demand, rising prices of coke and iron, the new buying by railroads, improved business activity with improved transportation, are pointed to as indicating that price deflation will come later to the steel industry than most others. On the other hand, it is being said that while business may improve with better traffic conditions, it is still due for a pronounced slump; that when the steel mills come to get rid of their accumulated surplus, a good deal of current demand will be filled and there will be less emergency buying of the kind that raises prices rapidly. A good deal depends on what shape business will be in to absorb a large quantity of steel products when transportation becomes easier.

Certain industries will undoubtedly be in position to take all the steel plants can give, notably oil, which uses tubing and pipes; food industries, which are short of tin plate for cans; railroads, for rails, plates for cars, etc. These products are in particularly keen demand at the present time, and it is doubtful if the supply will be adequate at any time this year. Other steel consumers, such as structural steel builders, automobile manufacturers, are cutting down their buying, so that prices in the particular line of products that they consume will tend to drop faster when traffic improvement releases larger stocks. The result of the break-up of the traffic congestion, therefore, should be to



intensify the irregularity of the steel market, and create a wider spread between prices of various classes of products.

Railroads

Operating Efficiency Improving

Figures recently submitted by the railroads to the Interstate Commerce Commission indicate a great improvement in operating results over last year, and this tendency is still progressing. Movement of cars in miles per day has been increased, in many cases going well above the 29 miles a day which is considered a good figure. Similarly, the tonnage per train has been increased, another step toward greater efficiency. The coal-carrying roads, as might be expected, show a particularly good ratio of improvement, the orders of the I. C. C. giving special consideration to the movement of coal having had their effect, but Southern and Western roads report similar gains.

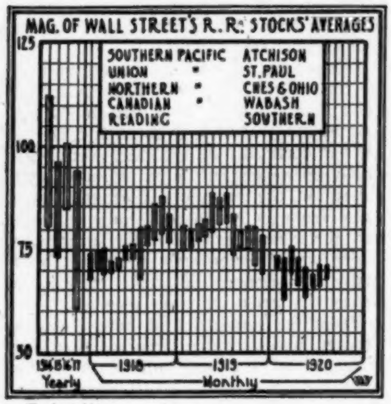
The reports of earnings issued monthly by the railroads show almost uniformly good gains in gross over the similar period of last year, though in most cases the net has declined. As the rates were practically unchanged in the period under consideration, the increase in gross must have come from an increased volume of traffic and the clearing-up of traffic congestion, which would temporarily stimulate abnormally the amount of traffic moved and hence the gross revenue received.

From the standpoint of both operating reports and earnings figures, then, the efficiency of the railroads is increasing, even though specific industries still find themselves handicapped by traffic congestion. In addition to improved operating methods, the roads are buying more and more equipment, aided to some extent by the I. C. C. revolving loan, which enables them to get money well below the current ruinous rates for bond or note financing.

Preliminary estimates made up from reports submitted to the Commission indicate that for the United States as a whole the roads plan to spend $282,559,835 for road improvements, and $393,625,953 on rolling stock, about a third of this being for locomotives. It is significant that little new construction, for branches or sidings, is being planned, as it would be unwise to spend too much money costing 7½ or 8% for property on which 5½ or at most 6% could be earned.

The formation of national equipment corporation to aid the railroads in their

purchases of equipment may help somewhat, but not much has been done as yet in this respect. The financing problem remains one of the knottiest in the whole equipment situation, and must be solved before conditions can be said to have been restored to normal. There can be no doubt, however, that the recent developments in the railway situation have all been favorable, particularly the fundamental matter of a rate increase which was practically what the railroads asked for, though calculated on the basis of a lower valuation than the roads' estimates.



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Now that most of the uncertainties that have beset the railroads are out of the way, and with a sound earnings basis to work on, the railroads appear in better position than they have for a long time.

Oil

Production Beats Out Consumption

The most encouraging recent development in the oil situation has been the fact that reports for June indicate that production has begun to outstrip consumption, causing an increase in the amount of reserve stocks. This is attributable partly to the energetic efforts made by all oil men to increase output, but to some extent, also, and this is not such a favorable factor, to decreased consumption, partly involuntary, as on the Pacific Coast, and partly because the price has really reached a point where it becomes a serious item in motor car expenses.

On the Coast the situation is particularly bad, as consumption in excess of production has cut into stocks to the extent of 10,000,000 barrels of crude a year. Active wild-catting is bringing in some new fields, however, and it is possible that the shortage may be considerably alleviated before very long.

In general the feeling is being expressed by oil men that we are very near the peak both of prices and of underproduction in relation to the demand, for a time at least. The impression appears to prevail that after all, demand is not as keen as it was expected to be, and it is considered possible that stocks of refined products may accumulate still further.

Of great significance, perhaps, is the increased talk of compulsory rationing of gasoline supplies, especially at the expense of pleasure cars. Should this be adopted as a permanent policy by any large political bodies, it would probably have far-reaching effects.

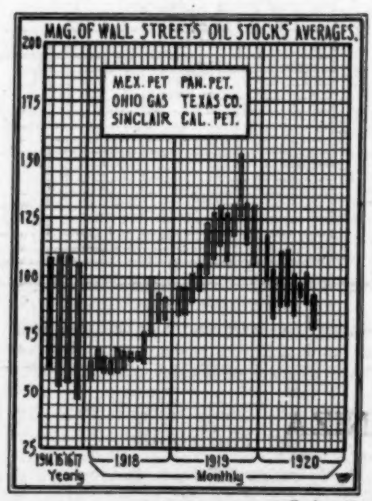
Field developments in South America, particularly Colombia, and in spite of restrictive legislation, Venezuela, indicate that that part of the world is coming to the fore as a source of crude oil supply, despite transportation difficulties.

Gasoline and the Motor Industry

The recent slump in automobile production, which will bring down the estimated output of new cars from 2,500,000 to some 1,700,000, has its effect on the oil markets of course in cutting down the potential demand. In a discussion of the future of oil as related to automotive engineering, the point has been brought out that in all likelihood about the present grades of motor fuel will continue to be used, without necessitating a change in automobile motor designing to accommodate grades of fuel practically equivalent to kerosene or gas oil.

The fact remains, however, that during the year the quality of gasoline offered to the public has continued to go down, as a general proposition, so as to enable a larger supply to be turned out. This has been accomplished by "cutting deeper" into crude oil, thus raising the boiling point of the distillate marketed as "gasoline." In the blending of casinghead gasoline with lower-grade fuels a similar debasing process has been followed by using proportionately more of the less volatile fuels than heretofore.

The market position of gasoline thus remains strong, though charges of profiteering made against the industry have been refuted from two sources, one the Federal Trade Commission and the other a semi-official investigator. Kerosene is not in as good position, technically; lubricating oils have not begun to recover from a slight weakness, and cylinder oils have been easier in the past month. These soft spots in the oil market are ascribed to temporary difficulties such as railroad congestion and foreign exchange depreciation as well as the unpromising European situation. When these difficulties are removed, it is expected that the other branches of the oil industry outside of gasoline will stiffen, though gasoline may decline somewhat.



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Coal

Decreased Production in Time of Stress

Production of soft coal for the last three weeks has shown a steadily accelerated declining tendency, at the very time when shortage is becoming acute to the point of famine and prices are rising almost daily. Labor disturbances have cut deeply into production and have cut down the demand for cars to some extent, thus causing an apparent decrease in the car shortage. Fundamentally, however, the traffic congestion and consequent shortage are at the bottom of the coal situation.

As the shortage becomes more intense, new features of the situation are developing serious disadvantages. For instance, the reflex on the shipping market has been very bad, as coal carrying has been one of the most substantial parts of the traffic, just as coal transportation built up England's foreign trade. With a virtual embargo on the exportation of coal in effect, however, there is an excess of tonnage in the shipping market, rates have been going down to a point where the smaller companies are feeling the pinch badly, and ships carrying imports from abroad, principally Europe, are unable to return with the customary cargo of coal which assured them of a profitable trip both ways.

Europe's exports are interfered with in another way, through the inability of factories to obtain adequate fuel supplies. Great Britain has fallen well behind as an exporter of coal, and the United States had just hit its stride in this line when domestic coal conditions got so bad as to require a drastic cut in coal exports.

At home questions of distribution are almost as important to the coal trade as those of production. New England is particularly undersupplied with coal, and priority orders have been issued to remedy this situation. The real reason for this is the fact that in the traffic readjustments of the last twenty years, water shipments, which used to be cheaper than rail shipments for New England centers, have now become more expensive, and as a result New England has been abandoning its former water routes for coal and has taken up more and more rail transportation capacity to fill its needs.

From the standpoint of industry rather than geography, various heavy materials manufacturers, notably steel and building materials, have been especially hard hit by the orders giving priority of shipments to coal cars. The public utilities, particularly in the larger cities, are getting along on a hand-to-mouth basis and subsisting on subnormal stocks, demanding a steady movement of cars to supply them with the fuel without which they cannot continue to give service.

Because of the present abnormal position of the coal industry, conditions and practices have grown up which are highly displeasing to established producing and distributing organizations. For one thing, a speculative element has grown up which has had a part in jacking prices up to their present levels, and has given the trade a bad look in the eyes of the public. In the same way, on the producing side a number of small mines have been opened in a more or less fly-by-night fashion, which could not operate were not prices as ab-

(*Continued on page* 568)

Trade Tendencies

(Continued from page 566)

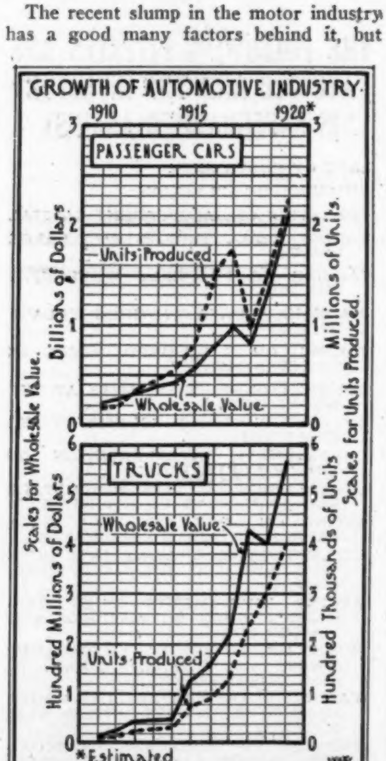
normally high as they are today, and inconvenience the trade by their removal of transportation facilities out of their regular channels, their competitive bidding for labor which causes unrest in other mines, and their irregular trade methods.

While it is scarcely likely that the labor troubles will spread, or even that they will last for any length of time, the more serious obstacle to increased production, the transportation tie-up, bids fair to continue for some time longer. The indispensable requisites to a thorough-going solution of the problem. Better roads and more equipment, are being provided, but from the nature of things slowly, though some improvement in this regard may be expected after the new rates go into effect.

Motors

Expansion Checked

The recent slump in the motor industry has a good many factors behind it, but



the outstanding one is the deflation of bank credits. This has cut down the operations of the automobile financing corporations which have been facilitating the purchase of many medium- and low-grade cars, and through them has spread to the dealers and the manufacturers. It is charged that automobile financing is being particularly discriminated against, but the financial end of the business tells only part of the story.

Great numbers of used cars have been thrown on the market of recent months, which in itself would tend to check production of new cars. The depression in many lines of business has taken many potential buyers out of the market, and the railroad congestion, the shortage of steel, affecting production more directly, have combined with the lessened demand to check the output of new cars. As a result early production estimates are being revised downward from 25% to 40%.

Men in the automobile business, however, point to features which lessen the gloom of the superficial appearance of the industry. The replacement market will always provide a certain nucleus of new business each year, amounting to some 16% of the number of cars in use. Figuring 7,500,000 vehicles in use at the end of 1919, this should provide about 1,250,000 orders for new machines to replace worn-out ones each year, without allowance for growth from any other cause.

The export trade in motor vehicles, both pleasure and commercial, may also develop into a mainstay of the industry during a period of depression. The value of all automobiles and accessories exported from the United States in the fiscal year 1920 amounted to $275,000,000 as against $138,000,000 in 1918 and $30,000,000 in the year before the war. In view of the much smaller number of cars in proportion to the population abroad than here, and of the difficulty of setting up plants elsewhere that can compete seriously with those in this country, there seems to be some truth in the view that the export trade will save the American motor industry from over-expansion. On the other hand, export connections of value are not made in a day, and one reason why the proportion of cars abroad is less is because the buying power of the population is less, comparatively, than in this country, so that the market for cars abroad is not as broad as would seem at first blush.

It is also true that the higher-priced cars, whose production has not been expanded as rapidly as that of lower-priced ones, because of the slower methods necessarily used.

The industry as a whole, however, as might be expected, is being hit among the first by the progress of deflation, financial and economic, and we may shortly approach the time when real competition, which has been absent from the motor industry for a long time, will be present again and sales, rather than production, be the problem of primary importance. As the industry stands at present, it must look for a revival of prosperity and "flush times" to put it back into the strong position it occupied last year. In the meantime it is facing a period of readjustment, probably to be featured by competition, consolidations and reorganizations, and a shaking-out of the weaker producers.

Cotton

Larger Cotton Crop Expectations

Recent reports by the Government and the National Ginners' Association indicate the probability of a cotton crop considerably larger than was originally expected.

As a consequence the cotton market has been showing a certain amount of weakness, after a sturdy resistance to the downward march of prices.

At the same time trade demand has been very slack, because of the unsettled condition of the domestic textile industries, with large finished and semi-finished stocks to be disposed of and an apathetic buying public. Export demand is duller than it has been for some time, in spite of favorable reports of activity at Manchester. In view of the inactivity of cotton consumers early estimates of the need of a 15,000,000-bale crop may have to be revised to 11 or 12,000,000 bales. This would leave nearly a million bales to be added to the carryover, which is the situation the trade fears.

Cotton growers have been talking about putting up a firm front against lower prices by storing the crop until favorable prices could be obtained, but it is doubtful if such a program can be put through in the face of the unwillingness of Southern banks to extend credit for such operations. The recent exposure of the over extension of a Georgia cotton firm has had the effect of inducing greater caution throughout the cotton world.

Crop condition seems to be improving with each successive report, and the perennial boll weevil scare appears to be without foundation this time. However, weather reports are of the utmost importance at the present time, as this is a critical period for the crop and the plant is a full three weeks late, increasing the possibility of a killing early frost. These factors have been checking the enthusiasm of the bears, who would otherwise be having things nearly their own way.

Grain

Increased Confidence in Exports

The recent recovery in the grains, attributed by some to the European war clouds, appear to have a more solid foundation in the vigorous increase in exports of recent weeks. Europe has been buying more heavily on declines in crop condition, and even Argentina has had to come into the American market, to fill its English obligations. Some time ago Argentina laid down an export embargo on wheat, and asked for cancellation of contracts, which England refused to grant. The fact that Argentina had to come into this country for more wheat indicates how short their own crop is. The Canadian crop estimates of recent days are also being revised downward, and our own spring wheat crop will probably be some 70,000,000 bushels under earlier estimates. For the world as a whole, it is estimated that an exportable surplus of 200,000,000 bushels is needed outside of North America which is counted on for a surplus of 415,000,000. From the present outlook it is expected that supply will just about equal demand.

Corn has been following wheat very largely in market movement, but its fundamental position is much weaker. Indications are that the early promise of a bumper crop of 3,000,000,000 bushels will be maintained, and at present prices Argentina can undersell American corn. Furthermore, there is no European demand

for corn as there is for wheat to steady the price.

Oats are also in good supply, and crop prospects are excellent, estimates being for some 1,402,000,000 bushels. Of course, this is a critical time of year for most crops and much depends on the weather. There is talk of the possibility of early frosts and too cool weather in the wheat belt, but it is not known as yet how much of a market factor this may turn out to be.

For the world at large, crop estimates have been reduced and correspondingly expectations of a large surplus of wheat have been disappointed, with a display of strength accordingly appearing in the grain markets. The United States promises to have good crops of foodstuffs generally, though wheat probably will not make as good a showing as at first expected, and is hence in the strongest position of all the grains.

Shipping

Ominous Features of the Situation

Recent declines in shipping freight rates have been severe enough to hurt all but the best-established lines. To take one example, the rates on coal to Italy have fallen over from $26 a ton to barely $10.50.

Capitalization of New Shipping Incorporations

Aug.—Dec., 1914	$1,844,000
Year 1915	37,062,000
Year 1916	69,466,000
Year 1917	271,503,000
Year 1918	120,353,000
Year 1919—	
January	$7,525,000
February	6,400,000
March	9,276,000
April	2,400,000
May	17,200,000
June	55,550,000
July	42,485,000
August	55,950,000
September	40,870,000
October	23,405,000
November	52,700,000
December	10,362,000
Total	$323,613,000
Year 1920	
January	$76,305,000
February	33,380,000
March	61,850,000
April	178,835,000
May	31,083,000
June	86,050,000
July	26,250,000
Total seven months, 1920	$494,653,000

The fundamental facts of the situation are that our export trade, consisting largely of necessaries, has fallen off as foreign countries, notably late European belligerents, have become increasingly more able to sustain themselves. At the same time they are not yet in condition to export much to us on their own account, and so the total volume of ocean traffic is declining. The virtual embargo on coal exports from this country has been a big factor.

At the same time the amount of shipping able to handle this traffic has gone up until

recently, when shipbuilding took a slump. The losses of the war have been more than made up, and there is in addition an excess of shipping tonnage. Hence arise competitive conditions in the shipping business, which are threatening the existence of the weaker lines, and are even raising the question of how far the American merchant marine as a whole can stand up against the competition of European countries, whose experience in the business dates back centuries where ours goes back by years.

The Merchant Marine Bill which passed Congress some time ago appears to have aroused much more comment among outsiders than among shipping men. The latter take the attitude that its effects, if any, will not be felt for some time, and that their immediately pressing problems are enough to absorb all their attention.

The condition of the industry is reflected in the great falling off in capitalization of new shipping companies incorporated during July, which was the lowest since last June. As profits fall off, obviously there is less inducement to enter the industry.

Conditions are improving slightly, from the shipping man's point of view, but it is still decidedly a "shipper's market." Some improvement is expected in fall, particularly in connection with the movement of the crops and the failure of some European countries to make good some of the enthusiastic claims made for their crops of this season. Competition will probably be sharper, both in ship operation and ship construction, as shown by the remarkably low bid for building a naval transport recently. Whether this competition will be keen enough to take the form of cutthroat rates is a question, but the cream is off the shipping business for the time being, at least.

COMPETITION IN OIL

R. L. Welch, secretary of the American Petroleum Institute, recently made the following statement:—

"The recent change in gasoline prices occurred by reason of the change in the relationship of production to consumption.

"There never was a time in the history of the oil business when there was so much competition as there is today, and there is more competition in the oil business, I believe, than there is in the automotive business. . . .

"Just to give you a few figures: In 1911 the Standard group refined 80% of the petroleum refined in the United States. In 1915, the Standard group refined 60% of the petroleum produced in the United States. In 1919 the Standard group refined only 49% of the crude oil refined in the United States. In 1919, for the first time in the history of the oil business, the independents refined more crude oil than all the affiliated Standard companies. These figures are the official figures taken from the Government reports.

"No one person and no single group of persons settles the price of gasoline. Nobody settles the price except the producer, the consumer and the law of supply and demand. The recent advances in the prices of gasoline have been a mere reflection, and not a complete reflection, of the recent advances in crude."

Answers to Inquiries

THREE BONDS

High Yields and Possibilities

The first consolidated mortgage 5% bonds of the Virginia & Southwestern Railway Co., whose entire capital stock ($2,000,000) is owned by the Southern Railway Company, are a 2nd mortgage on the 189 miles of road and other property covered by the first lien 5s of 2003, of which $2,000,000 is outstanding. Of the first Consolidated Mortgage 5s, $5,000,000 is outstanding. It would appear, therefore, that these bonds have a very substantial equity back of them; and as the earning capacity of the road in recent years has been quite satisfactory, the issue is entitled to a good rating.

Ann Arbor Railroad 1st mortgage 4s, due July 1, 1995, of which $7,000,000 is outstanding, are secured by a 1st mortgage on the entire property of the company, including the line of road from Toledo, Ohio, to Frankfort, Mich., about 292 miles; together with appurtenances terminals, equipment, etc., the bonds being outstanding at the rate of $23,973 per mile. So far as property is concerned, issue would appear to have a substantial equity behind it; but the road's earnings in recent years have been very poor, and the interest on the bonds has not been earned. For this reason, they are hardly to be regarded as a good investment.

Central New England Railway first mortgage 4s, due January 1, 1961, are secured by lien on about 138 miles of road and appurtenances. They are a 1st mortgage on 126 miles, including the Poughkeepsie Bridge across the Hudson River, which cost upwards of $7,000,000; and are a 2nd mortgage on about 12 miles. The amount of the issue outstanding at present is $14,927,000, or at the rate of $108,166 per mile, subject to a prior lien, namely, $287,000 Dutchess County Railroad 1st 4½s of 1940. The bonds are guaranteed principal and interest by the New York, New Haven and Hartford Railroad Company by endorsement.

As in the case of those above named, this issue would appear to be pretty well secured, so far as property is concerned; but as the road's earnings have been very poor in recent years, and those of the parent company, as well, the issue can hardly be entitled to a first-class rating. We believe it to be quite safe, however, even in the event of the receivership of the New Haven System, and we regard them as both attractive and cheap at prevailing prices. At 49, the yield is about 8½%. The Ann Arbor 4s, at 49, yield about 8½%, while the Virginia and Southwestern First Consolidated 5s, at 80, yield about 6¼%.

SIX RAIL BONDS

A Group of Comparisons

Missouri, Kansas and Texas 1st mortgage 4s of 1990, of which there are about [illegible]0,000,000 outstanding, are secured by a first mortgage on 1,114 miles of road and appurtenances and by a collateral lien on 458 miles. As you are, no doubt, aware the road has been in the hands of a receiver since September 27, 1915; interest on these bonds was paid up to December 1, 1919. Coupons due on June 1 last were not paid, but it was stated at the time that payment has been merely deferred.

These bonds would appear to be amply secured, so far as property is concerned, and we believe that the holders will not be disturbed under the reorganization.

Missouri, Kansas and Texas 2nd mortgage 4s of 1990 have been in default since February, 1916. The bonds are secured upon the same property and securities as the first mortgage issue, but are subject to the liens thereof. At present $20,000,000 are outstanding. How these bonds will fare under the receivership and reorganization of the company's finances, cannot be definitely stated at present, as the terms of the reorganization have not yet been announced. However, it is quite obvious from the present price of the bonds, selling in the neighborhood of 30, that the holders would not fare very well. Yet it is possible that the worst has already been pretty fully discounted in the market price of the bond, and hence we would not care to suggest a sale thereof at the current price level.

The Missouri Pacific first mortgage extended currency 4s, due July 1, 1938, of which $3,828,000 are outstanding, are secured by a direct mortgage on about 297 miles of road and on certain real estate, by a second mortgage on some 12 miles of road covered by the first lien of the Pacific Railroad of Missouri Carondelet Branch 4½s and by a third mortgage on the 285 miles covered by the first lien of the Pacific Railroad of Missouri first extended 4s of 1938. They are subject, however, to $10,618,000 of prior liens.

This is one of the original mortgages of the Missouri Pacific Railway and is secured on valuable mileage, so that a fairly good rating appears justified. Compared with prices of former years, the present price is exceedingly low, but we are quite of the opinion that this is due much more to the unfavorable conditions surrounding the investment market as a whole than to any radical weakness in the bond itself or in the company's internal affairs.

Texas and Pacific 1st consolidated mortgage 5s due June 1, 2,003, of which $25,000,000 are outstanding, are secured by a first mortgage on 1,394, etc., and, despite the receivership, appears to be well secured, particularly so as the bonds are outstanding at the rate of only $17,921 per mile. There can be little question that the holders will fare well under the receivership, and we can see no reason for throwing the bonds overboard at the prevailing comparatively low prices.

Southern Railway Mobile and Ohio collateral 4s of 1938, of which $8,345,000 are outstanding, are secured by pledge with the trustee of an equal amount of Mobile and Ohio general 4s. In our opinion, the bond is well secured, both as to property

and earnings, and the present price, around 54, would appear to be selling at a bargain level.

Wabash Railroad second mortgage 5s, due February 1, 1939, of which $14,000,000 are outstanding, are a second mortgage on 1,090 miles of road, and also secured upon the leasehold interests of the company (subject to the first mortgage 5s of 1939) in the Terminals at Detroit, Chicago, Hannibal, Quincy, and in the bridge across the Missouri river at Hannibal. The bond is not, of course, entitled to the highest rating, but there can be no question that the increase in freight and passenger rates recently granted by the Interstate Commerce Commission has greatly strengthened its position. We would hold it.

MARINE PFD.

Has Good Investment Qualities

Inasmuch as some 42% of back dividends are still due on the preferred stock of the International Mercantile Marine Co., the issue would appear to be very attractive at the current price, around 77. However, the general shipping outlook is by no means satisfactory, while investment conditions at large are anything but favorable to a sustained advance in the general market. The company, doubtless, will be able to maintain the dividends at the current rate, and they may even continue paying off the accumulated dividends as they have been doing for the last two or three years.

The security appears to have good possibilities for investment from the longer range viewpoint.

GENERAL MOTORS

Present Status

The stock issues of General Motors Corporation are as follows: preferred 6% cumulative, par $100.00, outstanding $16,186,000. Debenture 7% cumulative par $100.00, outsanding $25,150,500. Debenture 6% cumulative par $100.00, outstanding $56,421,300. Common, no par value, outstanding $16,123,643 shares. In the event of liquidation, the preferred 7% debenture, and 6% debenture, are entitled, pari passu, to par, and dividends, all remaining assets to be paid pro rata to the common. The 7% debenture stock is redeemable on call at 120 on any subsequent dividend, paying date, after November 1, 1920. The preferred 7% and 6% debentures are preferred pari passu as to dividend, cumulative from their respective dates of issue at their respective rates and no more, payable quarterly. The company cannot place a mortgage or any other lien except for the purpose of obtaining cash for the ordinary proposition, without the consent of 75% of the 7% and 6% debenture stock, now outstanding. The latest financial statement issued, which was for the quarter ending March 31, 1920, based on the present stock outstanding, indicated earnings for the quarter on the preferred and debenture stock of $20.05 for the quarter or an annual rate of $80.20, and on the common stock for the quarter $1.15 or an annual rate of $4.60. The company has no funded debt.

The security behind the 7% debenture we regard as good, but, of course, it is on the same level as regards preference, in case of liquidation, with the preferred and 6% debenture stock. We should say that the 7% debenture stock at the present time is fairly safe investment. But as to the future, we would not care to commit ourselves, inasmuch as the authorized issue of this stock is $500,000,000.

PUBLIC SERVICE OF N. J.

Westinghouse Looks Better

Earnings of the Public Service Corporation of New Jersey have been showing steady improvement in recent months, and with better conditions governing the investment market as a whole, there is reason to look for better prices for the stock of the company. Of course, the stock has a rather poor market, and for this reason the advance will probably be slow. At any rate, the present price of the stock would appear to have pretty fully discounted the difficulties with which the company has been contending for several years past. However, for those intent upon switching to some other issue that is likely to have a rapid advance in price, we might suggest Westinghouse Electric & Mfg., now selling around 49. This company's business outlook is exceedingly promising, and we believe it is only a question of time when the stock will sell considerably higher, although, of course, a big advance cannot be expected at the present time and under existing conditions in the general investment market.

PRODUCERS & REFINERS

A Legitimate Company

Organized May 14, 1917, under the laws of the state of Wyoming with an authorized capital stock of $17,000,000, of which $16,720,270 is outstanding, and $3,-

MARKET STATISTICS

	N. Y. Times. 40 Bonds.	Dow, Jones Avgs. 20 Indus.	Dow, Jones Avgs. 20 Rails.	N. Y. Times —50 Stocks— High.	N. Y. Times —50 Stocks— Low.	Sales.
Monday, Aug. 2.......	66.88	84.95	73.07	81.82	78.68	956,674
Tuesday, Aug. 3......	67.15	85.54	74.36	81.14	78.04	1,115,295
Wednesday, Aug. 4...	67.32	85.58	74.91	80.36	78.59	761,392
Thursday, Aug. 5......	67.49	84.06	74.03	79.70	77.27	1,098,772
Friday, Aug. 6.........	67.47	84.56	73.90	78.85	76.88	960,910
Saturday, Aug. 7.......	67.60	84.10	73.90	78.18	77.57	246,538
Monday, Aug. 9.......	67.43	83.24	72.95	77.21	75.04	1,000,151
Tuesday, Aug. 10......	67.38	83.20	73.10	77.10	76.04	485,500
Wednesday, Aug. 11..	67.36	84.83	73.70	78.25	76.95	463,258
Thursday, Aug. 12....	67.30	84.75	73.40	78.26	77.12	426,300
Friday, Aug. 13........	67.21	85.89	74.05	78.88	77.67	370,501
Saturday, Aug. 14.....	67.14	85.57	73.93	79.17	78.65	126,160

000,000 7% cumulative preferred, both of $10.00 par value. The company owns 200,000 acres of land, scattered throughout the states of Oklahoma, Texas, Louisiana, Wyoming, Kansas and New Mexico. The company seems to be very successful in bringing in wells on its property. Each month shows an increase in the number of productive wells. It seems to be one of those companies which is actually picking production.

It is extremely active in the Wyoming field, where its principal holdings are centered in the Sand Draw fields near Riverton. In the latest report from the Wyoming fields, a large block of the company's acreage has been proved up, and the company has found oil in one of its wild-cat sections drilling in the Osage fields. It has been very fortunate in its wells in the Oklahoma fields. Its monthly statement this year shows increased earning as the year progresses. The company owns a modern refinery at Tulsa, Okla., with a capacity of 6,000 barrels, and a refinery at Blackwell, with a capacity of 3,000 barrels. An estimate of its income account for 1920 shows the net available for common of $1,016,000. The stock is now on a 5% basis, and the directors announce that stockholders could expect extra dividends on the common during the year. The general impression among oil men is that much oil has been discovered in the Wyoming fields which has not been reported through the usual channels. The various companies operating in that field would seem to be mostly allied in some manner with the Standard Oil Co., and give out a limited amount of information regarding their operation there. The company is well managed, and we are of the opinion that it presents an excellent speculative opportunity. One of the promising features relative to this company is the fact that it is getting good production in the Oklahoma field, where the oil is of good quality, and the wells give a steady and durable flow. All the reports concerning this company indicate that the officers are pursuing a progressive and active production policy.

OHIO OIL

Position of Oil Securities

Ohio Oil and Union Natural Gas are excellent securities to hold. The former company has built up an enormous surplus, and it would appear to be only a question of time when this will be distributed among the stockholders in the form of either substantial dividends in cash or a stock dividend. Union Natural Gas has an excellent dividend record, and its earnings are now running at about twice the dividend requirements, so there would appear to be a possibility of an increased rate in the not distant future.

The pipe line companies are very much in the position of the rails. Operating costs have risen in recent years, while transportation rates have remained practically stationary. This accounts for the attenuated earnings of these companies in recent years and also for the comparatively low prices at which their stocks are now selling.

Among the more speculative issues, Salt Creek Producers, Cosden & Co., Union

Oil of Delaware, Producers and Refiners and probably Sapulpa Refining appear to have speculative possibilities at current prices, and we should continue to hold them.

AUSTRIAN BONDS
An Outright Gamble

We do not consider an investment in Austrian bonds wise. They cannot be called an investment; in fact, it is an extra-hazardous speculation, with emphasis on the "extra" even at the present prices. The Austria of today is almost completely shorn of resources and territory and we do not think the country can pay interest on its bonds—and certainly not the principal.

EMERSON SHOE
A Good Investment

We are enclosing opinion forms on four of the stocks you refer to in your letter. Your other stocks appear to be backed in assets and dividends by established businesses.

The Emerson Shoe Co. is a fair industrial investment stock. It is a going concern with a good trade name. It will not make as much money in the next few years as recently, on account of the condition of the shoe market, but this will not affect the preferred stock. The company has outstanding $1,000,000 7% Cumulative preferred, $100,000 second preferred and $125,000 third preferred, par $100, and no funded debt.

The Old Colony Woolen Mills is a conservative company with $850,000 common stock outstanding, par $10. No funded debt. The woolen situation is not good and dividends may possibly be lowered, but the security behind the stock seems of fair value.

TELEPHONE—SMELTERS
Selling Low

The generally adverse conditions governing the investment market, rather than any radical weakness in the company's internal affairs, are doubtless responsible for the prevailing comparatively low price of American Telephone. As a matter of fact, the earnings have showed substantial improvement in the last six months or so, and it is said to be now earning at least $12.00, which affords a good margin over the $8.00 dividend. The stock ought to be a good purchase at the prevailing level, for, undoubtedly, it is selling below its intrinsic worth. But as general market conditions are not favorable to a sustained advance in the near future, we would not be surprised if you were able to buy at better terms during the next month or so.

The same reasoning applies to American Smelting and the copper shares. The copper metal situation has been showing slow, but gradual, improvement during the last several months, and once things become more settled abroad the demand for copper metal will, in all probability, be overwhelming. That this will have a pronounced effect on the prices of copper shares eventually can hardly be doubted, but for the time being, at any rate, we believe one would do well to postpone purchases until the outlook becomes

clearer. While we see no particular reason for selling any of the afore-named stocks at current prices, as they would appear to have pretty well discounted by now the difficulties of the situation, they are probably very near bottom.

CANADA COPPER

Some Details of Its New Financing

Various developments in the affairs of the Canada Copper Corp., Ltd., have had the effect of causing the sharp decline in the market value of its stock. One of these is the default by the company in the payment of the interest on its bonds. The other is the fact that the company is to be reorganized. Lastly, the general situation is clouded.

While bond interest default is usually a sign that a corporation is on the skids for a receivership, in the case of Canada Copper, the default, according to a statement of the company, to the Equitable Trust Co., of New York, has not been due to a lack of actual cash to pay the coupons, but a desire on the part of the directors to conserve the cash resources in order that the interest of the mortgage bondholders and debenture holders could be better safeguarded.

The company has been handicapped in beginning operations in the Princeton district. These operations depended upon the completion of a branch railroad to the mine, as well as electric power wires, promised by the Canadian Pacific Railway and the Okanæan Power Co., the completion of which, several times deferred, is now definitely put at September 1, 1920, at which time the company thinks that actual mining and mill operations will begin.

Information has since been obtained that the corporation is to be reorganized. An assessment of $500,000 will be levied upon the stockholders and this amount has already been underwritten. This means an assessment of 50c per share and stockholders paying the assessment will receive a share for share exchange of stock in a new company having the same capitalization as the old.

Stockholders who do not participate in the assessment are not to be frozen out. They may exchange ten of their old shares for three of the shares in the new corporation. The seven share difference goes to the underwriters.

The new corporation will take up a Canadian charter, with the purpose of escaping dual taxation. The former company has been operating under an American charter. The company states that the new mill which has just been completed, instead of costing $2,500,000 covered by an issue of bonds, has cost to date over $3,000,000.

The company has valuable mining claims and it asserts that it has a reserve of 10,000,000 tons of developed ore. Under the circumstances, we should advise the stockholders to pay the assessment of 50c per share, and thus get the equivalent of their old share holdings in the new corporation, rather than have the underwriters get such a large percentage of their present stock.

It is believed that the company, with its new financing, will be able to put the stock on a dividend-paying basis. The stock is speculative, of course, but not without long pull possibilities of a kind.

COLUMBIA GRAPHOPHONE SEEMS TOO LOW

It is possible, even probable, that the recent decline in the price of Columbia Graphophone stock has been largely due to misgivings on the part of the public as to whether the company could continue to pay dividends at the current rate, in view of the large increase in capitalization and bonded indebtedness, as exemplified by the recent note issue, which the company has incurred during the past six months. So far as we can ascertain, the company is doing a very large business at present, and has sufficient unfilled orders on its books to keep plants working at capacity for a considerable time to come. Furthermore, the company is rapidly expanding its productive and distributive facilities, and should shortly be in a position to report larger earnings than ever before. On its merits and prospects, therefore, the stock ought to be selling considerably higher; but at a time when prices obviously count more than values in the estimation of Wall Street traders, and no small part of the public at large, it is not surprising that the stock is selling at the present low level.

While the stock is undoubtedly cheap at current prices, still we believe there is a possibility that it will decline further in sympathy with the general market, the main trend of which, for the time being at any rate, is downward. For this reason, we rather hesitate to recommend a further purchase at the current price level. However, if there be any further material decline, we believe it would be well to buy more of the shares, conservatively, of course, in order to be in a position to repurchase more of them should the price go lower. It is safe enough to be sure of a "come-back" later.

SWITCHING

The term "switching," in common usage in stock speculations, is not confined to such operations, but is also used by investment bondholders. It may be that an investor owns bonds in a certain railroad that are giving him some uneasiness as to the ability of the road to pay them at maturity.

To protect himself from loss, he will make a study of the bonds of other roads, where the security has not been diminished, select one that is approximately around the price of the bonds he holds, and "switch." That is, he will sell his old bonds and buy the new selection, even though he has to pay a slight premium to make the "switch," for he figures that it will pay him in the long run. It is the same with owners of stocks. They can "switch" into a strong stock from a weak one and make up the premium through enhancement in market values.

BANKS WILL GIVE ALL POSSIBLE AID TO MARKETING COTTON CROPS

W. P. G. Harding Says Federal System Will Co-operate

"The banks in the cotton belt, in cases where they are not over-loaned in other directions, can make much larger loans on cotton this fall than ever before. To what extent, however, these banks will be able to rediscount at the Federal Reserve banks, I am unable to say. Section 4 of the Federal Reserve Act requires the board of directors of a Federal Reserve bank to administer the affairs of the bank 'fairly and impartially and without discrimination in favor of or against any member bank or banks, and that said board 'shall, subject to the provisions of law and the orders of the Federal Reserve Board, extend to each member bank such discounts, advancements and accommodations as may be safely and reasonably made with due regard for the claims and demands of other member banks.' I feel sure, however, that the Federal Reserve banks will do all that can reasonably be expected of them to aid in the orderly marketing of the cotton crop."

SLOWING DOWN IN AUTO INDUSTRY WILL HELP MAKERS CATCH UP

President Jewett, of Paige-Detroit Motor Car Co., Reports Large Unfilled Foreign Demand

"We have heard adverse criticisms in regard to the condition of the automobile industry. There has been a slowing down, for which the majority of us are very thankful, but practically all lines of manufacture have slowed down from what they were early this spring.

"When the first tightness came in the money market, we had hold-ups and cancellations of orders in certain sections. Kansas City territory was the first hit, but today it is begging us to ship additional cars there. California was in bad shape during June; however, they have asked us to ship double their regular specifications of cars for August. In the Northwest, principally in the state of Washington, there is a lull in business, but we attribute that particularly to non-shipment of gasoline to that state on account of the gasoline law, which has since been revoked. The South is coming stronger than ever. In the East there has been a lull, but today things are looking very bright there.

"We have a wonderful export demand. We could ship 50% of our entire production foreign, but we cannot spare them at the present time from our dealers in the United States.

"The automobile industry has been affected like all lines of business with the tightening of the money market, but I think the industry as a whole is very glad that there is a partial let-up now rather than wait too long, flying too high and taking a cropper that may be really injurious."

AMERICA'S TRADE WITH COLOMBIA

The present prosperity of Colombia has been directly reflected in its foreign trade, says *The Americas*, published by the National City Bank, and expert observers believe that in the next five years the present scale of imports will be doubled. The importance to the United States of conserving its trade with Colombia will be appreciated from the following table compiled by the United States Department of Commerce, showing the relative volume of imports from the United States of articles most in demand. Owing to the world-war and the difficulty which many of the old-established European agents in Colombia experienced in renewing supplies from England and other European countries, there is practically no stock of European goods at present in the country:

Articles	*Percentage from United States*
Textiles	60
Hardware	100
Steel products	100
Chemicals	100
Medicines	90
Paper products	100
Machinery	100
Kitchenware	100
Tools, etc.	100
Dyes	100
Typewriters, specialties	100
Musical instruments	100
Hats (felt)	40
Men's wear	90
Women's fancy wear	75
Toilet articles	80
Shoes	100
Jewelry, watches, etc.	40
China, dishes	100

NOTE—Percentages given are approximate and show estimated proportion by article group, and are for Medellin market only. Great Britain is the chief competitor in textiles and men's wear, Italy in hats, and France in women's wear, toilet articles and jewelry.

THE SLUMP IN GRAIN PRICES

(*Continued from page* 524)

there has been a strong recovery with continued wide fluctuations. The futures market has not yet become an aid to the economical merchandizing of wheat, such as it was before the war, but is little more than a speculative adjunct to the legitimate trade in wheat.

The fact that future prices are substantially below the cash prices seems to indicate a dominant bearish attitude among speculators, based largely on the fact that prices are high and on general principles should have a break.

The supply and demand situation does not seem to justify this attitude. The statistics of the situation, based on the July crop report, and comparisons for two years are shown in Table I.

The distribution of wheat in the past two years ending June 30 was approximately as shown in Table II.

It will be noted from these figures that the total distribution of wheat last year —exports, home consumption, and seeding —was 879 million bushels, or 48 million less than this year's total supply. This is only a moderate margin of safety, and is less than half the carry-over from last year. With Argentine exports prohibited for the next five months—except a few old contracts—and a short crop in Australia, it looks as if foreign demand for United States wheat will be larger this year than last year, and that Europe will need all the wheat this country can spare.

Current Bond Offerings

Briefly Discussed and Analyzed

Issue	Maturity.	Offering Price.	Approx. Yield to Maturity.	
Government and Municipal:				
Philippine Govt. 4% ctfs............	Aug., 1921	97⅛	6.75	(a)
*City of Youngstown, O., 6s..........	1924-1934	101.83-105.88	5.50-5.40	(b)
City of Lorain, O., School 6s.........	1924-1931	To Yield:	5⅞-5⅝	(b)
City of Lorain, O., St. Impvt. 6s......	1921-1930	To Yield:	5⅞-5⅝	(b)
City of South Bend, Ind., Water 6s..	1925-1940	102.16-109.22	5.50-5.25	
*City of Des Moines, Ia., Gen'l. 6s....	1931-1940	105.35-108.57	5.35-5.30	
Public Utility:				
*Southwestern Pr. & Lt. 8% Notes....	Aug., 1925	98	8.50	(c, d)
*Adirondack Pr. & Lt. First 6s........	1950	84½	7¼	(c)
Mobile Cotton Mills First 6s........	1921-1930	To Yield:	8	(e)
Industrials, etc.:				
Euclid-East Seventeenth 1st 7s........	1922-1930	98.19-93.20	8	(c)
*National Cloak & Suit 8% Notes....	Sept., 1930	100	8	(c)
Sutter Basin Co. 8s..................	1923-1929	100	8	(c, f)

(a) Exempt from the payment of all taxes or duties of the Government of the Philippine Islands, or any local authority therein or of the Government of the United States as well as from taxation in any form by or under any state, municipal or local authority in the United States or the Philippine Islands. (b) Exempt from Federal Income Taxes. (c) Company pays normal income tax to extent of 2%. (d) Tax refund in Pennsylvania. (e) Free from any income taxation deductible at the source up to 4%. (f) Exempt personal property tax in California. *Discussed in text.

City of Youngstown, Ohio, 6% Direct Obligation Coupon Bonds. — These bonds constitute a direct obligation of the entire city of Youngstown, payable from taxes levied against all of the taxable property within the same, and are issued for improvement purposes. Youngstown ranks first in the manufacture of steel and third in the value of manufactures in the state of Ohio. The city has over two hundred manufactories of a diversified character, representing a capitalization of approximately $200,000,000. Population has grown from 79,066 in 1910 to 132,368 in 1920. Ratio of net debt to assessed valuation is less than 2½%. The bonds are legal investments for Savings Banks and trust funds in New York, Massachusetts, Connecticut and elsewhere, and eligible as security for postal savings deposits of 90% of par value.

City of Des Moines, Iowa, 6% General Obligation Bonds.—Des Moines, the capital of the State of Iowa, and county seat of Polk County, is the largest and most important city in the State. It is located on the Des Moines River, in the center of the richest agricultural district in the United States.

The City's most important industries are foundry and machine shop products, patent medicines and compounds, printing and publishing, slaughtering and meat packing. It is the second largest agricultural machinery and vehicle distributing point in the United States and the insurance center of the West, being the home of forty-five companies.

Excellent transportation facilities are afforded by nineteen railways, including the Chicago, Burlington & Quincy; Chicago, Milwaukee & St. Paul; Chicago & Northwestern, and Chicago, Rock Island and Pacific Systems.

Banking accommodations are furnished by twenty-six institutions, with combined resources of more than $93,400,000.

These bonds are a direct and general obligation of the entire city of Des Moines, payable from an unlimited tax on all the taxable property therein.

Southwestern Power & Light Co. 5-Year 8% Bond-Secured Gold Notes, Series "A."—The Southwestern Power & Light Company owns twelve companies and controls two others, which furnish diversified public utility service, principally electric light and power, in 122 communities, including many important cities —notably Fort Worth, Waco, Wichita Falls, El Paso and Galveston. The total population served is estimated at 751,450.

These notes are a direct obligation of the company and are secured through pledge with the trustee of $2,000,000 face value of the company's first lien thirty year 5% bonds and $2,000,000 face value of general lien bonds of the company.

The net earnings for the twelve months ended June 30, 1920, of the companies, all of whose outstanding securities are pledged under the first lien mortgage, were $853,790, as compared with annual interest charges on the first lien bonds and bond-secured notes, aggregating $349,850. The total earnings (including those of the controlled companies) applicable to these interest charges amounted to $1,837,527.

These bond-secured notes are followed by $19,512,000, par value, of dividend-paying stocks of the company.

Adirondack Power & Light Corp. 1st and Refunding Mortgage 6% Gold Bonds.—The Adirondack Power and Light Corporation does the entire electric light and power business in Schenectady, Amsterdam, Watervliet, Oneida, Saratoga Springs, and many other communities in this intensely industrialized region. The company also furnishes, under long time contracts, all of the electricity used by the distributing companies in Troy and Mechanicville and by the electric railway systems in and about Albany, Schenectady, Troy, Utica and Rome, including practically all the interurban roads in the territory. In addition, the company does the gas business in Schenectady, Saratoga Springs and Oneida.

The company operates in the Mohawk and upper Hudson River valleys, its transmission lines extending from Lake Champlain on the north and the State

line on the east to Utica and Oneida on the west. It serves directly and indirectly a population of approximately 700,000.

The principal hydro-electric plants of the company are on the Hudson and Hoosic Rivers and East Canada creek, and have a total present installed capacity of over 50,000 K. W.

The first and refunding mortgage gold bonds are secured by a first mortgage on property which alone has a depreciated replacement value, based on pre-war prices, in excess of the face amount of these bonds. They are further secured, in the opinion of counsel, by a mortgage on the remainder of the property of the company subject only to a closed divisional lien of $5,000,000.

The original cost of the physical property is over 150% of all mortgage bonds outstanding, including this issue.

The General Electric Company owns approximately 50% of the common stock of the new corporation.

National Cloak & Suit Co. 10-Year 8% Convertible Sinking Fund Gold Notes.—The proceeds of this issue will be applied to reduce the current liabilities of the company and will substantially increase its working capital.

The notes will be the direct obligations of the National Cloak & Suit Company, which has no other funded debt.

They will be issued under a Trust Indenture which will provide in substance, among other covenants, that so long as any of these notes are outstanding:

Neither the company nor any subsidiary will mortgage or pledge any of their real or personal property now owned or hereafter acquired. This covenant shall not prevent the company or any subsidiary from purchasing property subject to a mortgage or from creating a purchase money mortgage to the extent of 75% of the fair value of the property purchased, nor from pledging as securities for loans made to it in the regular and current conduct of its business, accounts receivable or other liquid assets or stocks, bonds or other securities owned by it other than stocks or securities of subsidiary or controlled companies.

The company and its subsidiaries will at all times maintain an excess of tangible assets over the sum of all its liabilities, exclusive of these notes, in an amount equal to at least 200% of the principal amount of said notes then outstanding, and will at all times maintain its net current assets in an amount equal to at least 125% of the principal amount of said notes outstanding.

The company will declare no dividend on its common stock at any time when such net current assets shall not be at least 150% of the aggregate principal amount of said notes then outstanding.

The net current assets of the company, based upon its balance sheet at Dec. 31, 1919, after including the proceeds of the present issue of notes, but not taking into account expenditures on fixed assets of approximately $1,000,000 from Jan. 1 to June 28, 1920, and not including any other changes arising in the regular course of business during that period, amount to $9,128,682.57 and the total net tangible assets amount to $14,280,265.56.

LATIN AMERICAN TRADE NOT ALL DESIRABLE

Writing in *Successful Banking*, John H. Collins says, in part:

The outside story of Latin American investment opportunities makes you an optimist—especially when you hear its many versions in Latin America itself.

There is the example of John Bull, with his long record of Latin American investment. One estimate gives a total of $5,000,000,000 British investments in the seventeen continental republics. The $250,000,000 interest paid in on that capital yearly equals all our Latin American exports for a pre-war year.

But eventually you will hear the inside, and become pessimistic. John Bull's investments pay him less than five per cent, and millions of pounds have been lost in Latin America by British, French, Dutch and other investors.

After you have investigated both sides you will take to the middle of the road, with confidence in the basic riches and future of Latin America, yet carefully scrutinizing each investment proposition on its merits. With the heartiest good wishes for your Latin American friends, you will always insist upon knowing where you are to get off.

THE ITALICS ARE OURS

"The reserve ratio of the Federal Reserve system," said *Commerce and Finance* recently, "was 44.2 last week against 44.2 at the end of the previous week. *The change is unimportant.*"

DECLINING GOLD PRODUCTION NO CAUSE FOR SERIOUS ALARM

W. A. Berridge Points Out That Most of Past Production Is Still Available

In an article in the "Review of Economic Statistics," William A. Berridge says, in part:

"It will be well to call attention to two factors which may have a potent bearing on the world's gold supply of the future, but have been commonly overlooked. In the first place the considerable amount of gold which has been imported by India and China for many years, but especially since 1905, is not hopelessly lost to further use in the world's currency, in spite of the general assumption to the contrary.

"In the second place, most of the mass of gold produced up to the present time even now rests in human possession somewhere in some form, and so constitutes a potential reservoir which may be drawn upon if the world's need of gold for monetary purposes should eventually become great enough. Gold is not a perishable commodity, nor is it 'consumed' like clothing, food or fuel. Even the gold used in industry is not usually destroyed, although in certain electrolytic, dental and pharmaceutical uses, etc., some is, of course, lost in practically irrecoverable forms.

"In short, the aggregate production to date is more significant for gold than for nearly any other commodity; most of the forms in which it exists more truly constitute a potential reservoir for future use. For several decades up to 1900 gold outsped most metals and many other commodities in the rate of annual output; and a decline in the output should not yet occasion serious alarm."

INDIA'S GOLD HUNGER MAY DEPLETE EUROPEAN SUPPLIES

Samuel Montague & Co. Fear Results If Present Consumption Continues

Under date of July 29, Samuel Montague & Co., bullion dealers of London, say:

"The keen demand for gold from the Indian bazaars suggests some interesting reflections: First, if it continue with the same energy, a time might arrive when there might not be much, if any, to spare for discharging in gold our debts to the United States of America. Second, the Scandinavian countries are now feeling the effects of the policy pursued by them during the war of declining to receive gold when it was available. Now that their balance of trade has become adverse, gold cannot be spared to finance imports. The objection to accepting gold was not the fear of inflation, but lest the State banks would be compelled under their charter to hold large amounts of gold without obtaining corresponding profit.

"The Indian bazaars seemed to have been seized with a metallic fever, for, besides the inquiry for gold, orders have been received this week for silver irrespective of such remittances being of a paying character at the Indian rates current."

Financial News and Comment

NOTE.—The Railroad and Industrial Digest, Notes on Public Utilities, Oil Notes and Mining Digest, contain condensations of the latest news regarding the companies mentioned. The items are not to be considered official unless so stated. Neither THE MAGAZINE OF WALL STREET nor the authorities for the various items guarantee them, but they are selected with the utmost care, and only from sources which we have every reason to believe are accurate and trustworthy. Investment commitments should not be made without further corroboration.—Editor.

RAILROADS

Boston & Maine.—Less congestion and freer movement of cars are reported by this road. Since the middle of May the number of cars on the line has been reduced about 10,000, or 21%. On May 14 there were 44,489 cars on the line, and on July 13 only 34,732. During June the average miles per car per diem was 19.9, compared with 16.7 miles in May. Fifteen heavy freight locomotives are expected soon, and in preparation for them 56 bridges have been rebuilt or strengthened on the Berkshire division. The receipt of this equipment should further relieve the congestion.

Cincinnati, Indianapolis & Western.—Larger income was reported for 1919 by this company, which was organized to take over that part of the old Cincinnati, Hamilton & Dayton not acquired by Baltimore & Ohio. Net for the $5,350,000 preferred stock was equal to $4.41 a share compared with $2.61 a share in 1918. The company reported a considerable increase in other income and a decrease in charges. The loss for the Government on operations was $1,055,923. Had the road been run for its own account deficit after charges would have amounted to $821,845, compared with $360,590 in 1918 on the same hypothetical basis.

Cleveland, Cincinnati, Chicago & St. Louis. — Money advanced by Lake Shore & Michigan Southern to this company in 1912 for the purchase of coal lands in Illinois was repaid in October, 1919, through New York Central, to whose books the $2,266,824 involved was transferred at the time of the consolidation.

Delaware & Hudson.—Loan of $1,125,000 to this company has been approved by the Commerce Commission to aid in making additions and betterments, provided the carrier finances an equal sum for the same purpose.

Delaware, Lackawanna & Western.—Greatly increased income was reported by this company for 1919, the net for stock having been $19.60 a share, or 39.2% on the $50 stock, compared with $15.32 a share in 1918, both after elimination of lap-over items. As explained in THE MAGAZINE OF WALL STREET of March 20, the company took up only 90% of standard return in its income account for 1918, because a contract had not then been made with the Government. Thus, the figures are not altogether comparative, for the reason that the company took credit for full rental in 1919 plus the 10% ignored but accrued in 1918. As forecast in the same article, coal earnings were much greater in 1919 than in 1918, due to a new contract made between the railroad company and the Delaware, Lackawanna & Western Coal Company, which acts in a selling capacity. This department shows a net of $4,989,682, compared with $3,626,710 in 1918, and $4,321,268 in 1917. On a hypothetical operating basis, net for stock in 1919 would have been $12.65 a share and in 1918 $17.35 a share.

Erie Railroad.—Bond extensions for a period of ten years are sought by this company in an application to the Commerce Commission. The issues involved are: $2,926,000 New York & Erie fourth 5s maturing October 1, 1920; $16,891,000 Erie Railway consolidated 7s maturing September 1, 1920, and $3,699,500 New York, Lake Erie & Western first consolidated 7s maturing September 1, 1920.

Kansas City Southern.—Increased income is reported by this company for 1919. Net after the 4% preferred dividend was $610,424, equal to $2.03 a share on the $29,959,900 common stock, compared with $547,659, in 1918, or $1.82 a share, both after elimination of lap-over items. The Federal operating income was $2,189,359, compared with $3,128,052 in 1918 and Government compensation of $3,496,385, or a loss for the Railroad Administration in both years.

Long Island Railroad. — Intrastate rates are held to be outside the jurisdiction of the Interstate Commerce Commission by an announcement of the New York Public Service Commission in connection with the question of rates and fares charged by this company, which is controlled by Pennsylvania Railroad. Standard return of Long Island Railroad was a deficit, and, while the property showed big earnings during the heavy movement of troops, the former deficits have reappeared. The State Commission has announced it would authorize no change until the valuation of the property was completed. As most of the company's revenue is derived from passengers in intrastate travel, its prospects in the immediate future are not good.

New York Central.—Small decrease in income is reported by this company for 1919. Net for $249,597,355 stock was $23,113,619, equal to $9.26 a share, compared with $24,465,345, or $9.80 a share in 1918, both after elimination of lap-over items. The Federal account shows an operating net of $53,361,832, compared with $56,859,189 in 1918 and rental of $57,690,588 in 1919, including additional compensation. Without the benefit of the Government guaranty, operations would have been at the rate of $7.52 on the stock in 1919 and $9.22 in 1918.

Rutland Railroad.—Small increase in income was reported for 1919 by this company, which is controlled by New York Central. Net income was $564,733, equal to $6.30 a share on the $8,955,400 preferred stock, compared with $543,475 in 1918, equal to $6.06 a share. On its rental of $1,023,883, the road earned only $250,083 in 1919 and $49,445 in 1918, showing a big loss for the Government in both years.

Southern Railway.—Slightly diminished income was reported by this company for 1919. Net applicable to $120,000,000 common stock, after allowing for 5% dividends on $60,000,000 preferred, was $2,141,567, equal to $1.78 a share, compared with $2,708,913 in 1918, equal to $2.25 a share. The difference in results for the two years was due to a small increase in charges for 1919. The Federal operating account has not yet been issued.

Western Maryland.—Three year 8% notes of this company, to the amount of $5,800, 000, have been authorized by the Commerce Commission. The notes are

for refunding $5,000,000 maturing notes and $1,000,000 Coal & Iron Railway bonds, both on an exchange basis.

Western Pacific.—Preferred dividend at the rate of 6% was covered in the four months ended June 30, 1920, by this road, which rejected the Government guaranty as of March 1. Operating net was $891,-370, or at the annual rate of $2,674,110, compared with standard return of $1,900,-350. The company, which had difficulty in obtaining its own equipment, ordered and paid for but delivered to other lines by the Government, reported only nominal nets in March and April. On the basis of May and June, properly weighted for seasonal fluctuations of traffic, net after application of other income and charges and allowance for preferred dividends at the rate of 6%, was at the annual rate of $3.70 a share on the common.

INDUSTRIALS

Ajax Rubber.—Earnings of $7.64 a share for 6 months to June 30 last, or $1,528,634 after taxes, were reported by the company, compared with $1,886,730 or $9.43 a share in the same 1919 period.

Gross sales in first half of 1920 exceeded the first 6 months of 1919 by about 16%.

American Brake Shoe.—A $2 special dividend was declared by directors of the company on the new common stock, payable Aug. 31 to holders of record Aug. 20.

American Can.—The Portland, Ore., plant will be doubled to have an output of 200,000 cans a year, the company announces. The cost will be $1,500,000.

American Cotton Oil.—The common 1% quarterly dividend was passed by the company until the prices of commodities and general business conditions shall be more nearly normal.

The company has paid 1% quarterly since Dec., 1915.

American Locomotive.—Earnings of $7.61 a common share for 6 months ended June 30 last, or $2,777,199 after charges, taxes, and preferred dividends were reported by the company. This compares with $2,577,171 or $6.81 a share in the previous 6 months.

The company has received orders for six 105-ton consolidation engines for the Bangor & Aroostook, four 84-ton six-wheel switchers for the Tennessee Coal & Iron Co., and two 100-ton consolidations for the Birmingham Southern. The company has also taken export orders for seven 65-ton consolidations for Japan and two 60-ton Pacifics for Cuba.

American Steel Foundries.—Earnings of $4.63 a common share for 6 months to June 30 last, or $2,686,314 after charges and Federal taxes were reported by the company on the $17,-184,000 stock (par $33⅓), against $3.89 a share earned in the same 1919 period.

Substantial orders have been booked, practically ensuring capacity operations well into the latter part of the year. The new steel spring plant at Detroit is expected to get into production this month.

American Tobacco.—1920 business increased 20%, or $12,500,000, to July 1, over 1919, Pres. Hill said. In the same period subsidiaries which the company has an interest in gained over $11,000,000.

Atlantic Gulf.—Earnings of $32.66 a share for 1919 on the common stock, or $5,575,605 after charges and taxes were reported by the company, against $2,709,-987 or $13.51 a share in 1918. Present earnings are coming principally from the company's oil subsidiary, as shipping operations are not proving so profitable.

Atlantic Sugar.—Initial common and 28% back preferred dividends, declared.

—Company directors have declared an initial quarterly dividend of 2½% on the common stock and 28% on the pref. stock, on account of arrears, and the regular quarterly 1¾% on the preferred. The common and regular pref. dividends are payable Oct. 1 to holders of record Sept. 20, and the 28% on the preferred is payable Sept. 1 to holders of record Aug. 20.

14.14% was earned on the common stock of 35,000 shares (par $10), after pfd. dividends in the year ended April 30, 1920, against 8.70% in the previous year. Pres. McGibbon stated that the company was doing a monthly business of about $5,000,000, this being almost equal to the total business for 1916. He looked for a business this year of $50,000,000.

Barnett Leather.—Earnings of $9.73 a share for 6 months, to June 30 last, on the 40,000 shares of common stock, or $389,216 after depreciation, taxes and pref. dividends were reported by the company.

Barnsdall.—Earnings of $2.59 a share in 6 months to June 30 last, or $1,350,610 after all charges and taxes on the $13,000,000 stock (par $25) were reported by the company.

Barrett Co.—The merger of four of the largest and most important chemical companies in the country, including the Semer Solvay, the National Aniline, the Barrett Co., and the General Chemical, is near completion.

The capitalization of the new concern will be about $250,000,000, of which $213,000,000 will be issued to stockholders of the 4 companies in exchange for their present shares. Of this $200,000,000 will be in common stock and the remaining $50,000,000 in preferred. The stock will be exchanged on a market basis of about $70 a share for the new common stock, and the pref. shares probably at par.

This basis of $70 a share, on which the officials planning the merger are understood to base their operations, make the market value of the old shares of the 4 companies as follows: Semet Solvay, $238 a share; National Aniline, $100; Barrett, $160; General Chemical, $217.

Certainteed Products.—Net of $1,066,289 for 6 months to June 30 last was reported by the company, against a deficit of $30,609 in the same period in 1919.

Columbia Graphophone.—Net earnings of $2,900,000 are reported by the company for the 6 months ended June 30, 1920, after depreciation and all taxes. This is at the annual rate of about $4 per share on the common stock.

Endicott-Johnson.—The company's factories are all busy, in spite of the general recession in the shoe business.

The company is well sold up on Fall business. It suffered some cancellations of orders but not much over 5%. Cancellations have now ceased. The company will have a new factory at Johnson City, with capacity for manufacturing 20,000 pairs of shoes a day, ready for operation this month. That the corporation from Jan. 1 to July 3, 1920, earned net after Federal taxes and all charges of $2,075,623, equal after pref. dividends to $4.73 a share (par $50) on the $16,390,000 common stock.

Fisk Rubber.—6 months' sales of $27,000,000, a gain of 32% over 1919, was reported by the company to June 30 last. Allowing for some normal slowing up in the next 6 months, which may be intensified by general conditions, the company should handle nearly $50,000,000 gross this year.

While increasing production the company has been improving its financial position, bank loans and commercial paper showing a reduction of 20% in the June quarter, compared with the first.

Lee Tire.—Net earnings of $3.40 a share, or $510,923 before taxes, are reported by the company for the 6 months ended June 30 last, on the 150,000 no par shares.

Sales for the 6 months were $4,383,000, against $2,597,000 in the same 1919 period. Working capital of the company on June 30 last was $4,487,000.

Loews, Inc.—288,670 new shares, at $22.50 per share, were offered by the company to holders of record Aug. 9, at the rate of 1⅛ new shares for each 3 now held. Stockholders entitled to a fractional share may subscribe to a full share in lieu of such fraction.

The offering has been underwritten by a syndicate headed by Montgomery & Co. and Van Emburgh & Atterbury.

Maxwell Motors.—Abandonment of the merger plan with the Chalmers Co. as impracticable, is announced. The readjustment committee asks depositors to amend the original agreement so it will continue in force until a suitable modified plan is formulated.

Depositors, unless they deposit their certificates by Aug. 31 with the Central Union Trust Co. and withdraw their respective securities, will be deemed to have assented to this. Depositors who do not withdraw will have the right, upon announcement of the proposed modified plan, to signify their approval thereof.

A strong group of prominent financiers and leading factors in the automobile industry, have taken hold of Maxwell affairs.

Midvale Steel.—Earnings of $2.17 a share for the quarter ended June 30 last, or $4,349,498 were reported by the company, compared with $1,516,997, or 75c a share in the first quarter of the year, and $946,267, or 48c. per share in the 3 months ended June 30, 1919.

For 6 months to June 30, 1920, the balance for dividends was $5,866,495, or $2.93 per share, compared with $3,696,464 in the same 1919 period, or $1.85 per share.

Since Jan. 1 last, mills of the company have been at 75% capacity. In the second quarter operations ranged around 87%, but it is not believed this average can be maintained. Repairs and renewals to insure more economical production will bring capacity to around 75%.

In July all record for production of steel tubes was broken at the Coatesville plant.

Montgomery, Ward.—June sales of $9,009,014, a gain of 32.74% over 1919, were reported by the company. Net sales for 6 months to June 30 were $53,113,007, an increase of 33.66% over last year.

July sales, just announced, increased 38% over 1919.

National Acme.—Earnings of $2.77 a share for 3 months to June 30, or $1,385,925 before Federal taxes were reported by the company on the $25,000,000 stock (par $50), against $724,908, or $1.45 a share in the same 1919 period.

National Cloak & Suit.—A $5,000,000 increase in common stock to $17,000,000 is proposed by this company.

National Conduit.—A $30,213 deficit for 6 months to June 30 last was shown by the company, after taxes, charges, and depreciation, against a deficit of $643,296 in the same period of 1919.

Owens Bottle.—$2,505,117, or $4.96 a share on the $10,932,626 common stock ($25 par), after charges, Federal taxes and pfd. dividends was earned by the company in the 6 months ended June 30, 1920.

Pacific Development.—Earnings for 1919 of $7.81 a share, or $1,331,452, were reported by the corporation, after charges and Federal taxes, on the $8,528,300 ($50

par) stock, compared with $1,606,660, or $13.91, on the $5,772,700 stock in 1918.

Parish & Bingham.—Sales Good.—New Construction.—Company sales for July should exceed $1,100,000 and Sept. should show a further increase. Earnings for June and July will be close to $300,000, or nearly equal the first 5 months. Earnings before taxes are at the annual rate of $12 per share and net for the year about $6.50 per share after all taxes. The company recently closed an increased contract with Ford Motor Co., 95% of whose steel frames it supplies.

The company's new buildings at Cleveland are 90% completed. Due to railway embargoes, the company is far behind on its orders.

Pullman.—Nothing will be realized by this company from the higher rates soon to be imposed, but it stands to lose from any falling off in traffic resulting from a 20% increase in fares and 50% surcharge on Pullman service, both of which accrue to the railroad.

Gaston, Williams.—A deficit of $1,191,169 for the year ended April 30, 1920, was reported by the company, against $212,402 surplus the previous year. After writing off $5,361,000 for provision for doubtful accounts, depreciation in inventory values, etc., a profit and loss deficit of $4,931,196 is shown, against a surplus of $1,621,000 a year ago.

Pres. Gaston says: "Directors deem it advisable to reduce the company's declared capital from $12,000,000 to a figure fairly representing its net worth, when the losses, for which reserves have been provided, have been fairly determined. By this readjustment the company will show future earnings on the basis of capitalization on which earned and would permit a return of dividends as soon as earnings justify."

General Chemical. — Earnings of $13.40 a share for 6 months ended June 30, 1920, or $3,146,472 were reported by the company after charges and Federal taxes equal after pref. dividends to $13.40 a share on the $19,822,900 common stock, compared with $1,780,432, or $8.01 a share on the $16,519,200 common stock in the June, 1919, quarter.

International Harvester. — A 12½% stock dividend has been declared by the company, payable in common stock Sept. 15 to holders of common stock of record Aug. 20.

International Motor Truck.—Earnings of $5.64 a share in 6 months to June 30 last, or $2,163,421 after charges and taxes on the 283,108 common shares, against $1,185,783 in 1919 were reported by this company.

Iron Products. — Net earnings of $8.61 a share in 6 months to June 30 last, or $932,446 after charges and taxes were reported by the company on the 103,949 no par common shares after pfd. dividends.

Sears, Roebuck & Co.—July sales declined 7%, but the 7 months total is still substantially ahead of 1919 results. Comparisons:

Sales.	1920	1919
July	$16,743,264	$17,998,908
7 months, 1920 ...	157,211,192	122,059,811

Stewart - Warner. — July sales increased 15% over 1919; the company has $2,000,000 orders on its books and reports business still good.

U. S. Steel.—A floating drydock, to cost $1,500,000, to lift up to 12,000-ton vessels, will be built by the company's subsidiary, Federal Shipbuilding Co. on the Hackensack River.

The corporation reports unfilled tonnage on hand July 31, 1920, of 11,118,468 tons, against 10,978,817 tons on June 30, an increase of 139,651 tons. On July 31, 1919,

unfilled orders totalled 5,578,661 tons.

The increase in the unfilled tonnage for July reflects the difficulties experienced by the corporation in making deliveries due to the transportation situation, rather than a heavy demand for steel.

Incoming business was slightly below production, which, also due to the transportation situation, still is considerably below capacity. It is doubtful if new business taken by the corporation last month exceeded 65% of its actual production capacity.

The unfilled tonnage reported is the largest shown since June, 1917.

Westinghouse.—$31,000,000 in orders in the quarter ended June 30 was shipped by the company, compared with $25,000,000 in the June, 1919, quarter. Bookings in the same period were $45,000,000, against $35,000,000 in the June, 1919, quarter. Orders outstanding on the company's books on July 1 were about $85,000,000.

Although handicapped greatly by the transportation tie-up, the company's billings this year are almost $7,000,000 ahead of the same quarter in 1919.

Shipments during July have been at an annual rate of close to $160,000,000.

Woolworth. — July sales increased 30% over 1919 as follows:

Sales.	1920	1919
July	$11,282,810	$8,717,793
7 months	71,677,419	59,776,870

On Aug. 1 the company had 1,100 stores, 35 new ones having been opened since Jan. 1 last.

PUBLIC UTILITIES

Brooklyn Rapid Transit. — Receiver Garrison rejected demands of the men's union, declaring that, acting under orders of the Federal Court, he refused to agree to a closed shop or deal with any other body than a committee of employees, as such.

Chicago Elevated.—A 10c fare, or 4 for 35c, was granted the company by the P. U. Commission. Passengers for the next 12 months are estimated at 190,000,000, and receipts $17,570,000, expenses $13,945,000—to leave a balance of $3,625,000, or 5.1% before depreciation on the city's recent $70,943,000 valuation. Returns in the last 5 years have steadily been below 5%.

Utah Power & Light.—Fare Increase Allowed.—The Utah P. U. Commission has granted the company's subsidiary, the Utah Power & Light Co., an increase in street car fares from 5 and 6c. to 7c, effective Aug. 1. It is estimated the new schedule will give additional annual net income of $550,000.

MINING NOTES

Alaska Gold.—A deficit of $61,682 for the 3 months to June 30 last was reported by the company, against a deficit of $56,483 in the June, 1919, quarter.

Anaconda.—A new ore body has been opened by the company in the Stewart shaft from 5 to 6 feet of high-grade ore being in evidence. Finding high-grade ore at this depth materially improves the life of the Butte district over early estimates.

Chile Copper.—Heavy production for June and 6 months was reported by the company, comparing as follows:

	1920	1919
June	7,500,000	5,003,430
6 months	51,371,000	31,837,430

Helvetia Copper.—A 50c a share assessment to be paid Sept. 1 was levied

by the company for new oil development work, making $16.50 paid in on the $25 par stock.

Nipissing.—June Output Smaller.—Total Ahead of 1919.—In June the Nipissing mine produced $200,449, a falling off compared with the $315,597 produced in May.

Total in the 6 months was $2,037,567, or $4,000,000 annually, exceeding the 1919 total of $3,553,958.

Silver King of Arizona.—Requires Financing.—Since the company went into a receiver's hands on July 6, the property has been kept unwatered down to the 600-ft. level, but no new development work has been accomplished. The immediate cause of the receivership was an unsatisfied judgment for damages against the company, on account of a fatal accident to employes in sinking the new shaft. However, the company's financial resources were insufficient to continue the development work as planned, and the recent effort to raise funds by the sale of 10-year 7% convertible bonds met little response from stockholders who were asked to subscribe. Refinancing is essential, but it is not likely any efforts along this line will meet with success during present unfavorable financial conditions.

OIL NOTES

Caddo Central.—Earnings of $4.24 a share for 6 months to June 30 last, or $637,357 after interest, royalties and taxes, were reported by the company on the 150,000 no par shares. The company's Cedar Grove refinery, 3,500 bbls. capacity, will be in operation in September.

Cosden.—Earnings of $7.50 a share for 6 months to June 30 last, or $6,410,177, after interest and taxes, were reported by the company, against $4,281,533 in the same 1919 period.

Sales for the first 6 months of 1920 show an increase of nearly 75% over 1919.

Enlargement of refining capacity and installation of a complete cracking plant have increased 50% the recovery of gasoline and kerosene and have increased the crude run through the refinery from 15,000 bbls. daily in 1917 to 29,000 bbls. in 1920.

Galena Signal.—The $6,000,000 issue of 7% convertible debentures of the company, authorized by stockholders last May, is to be issued and sold at the discretion of its directors. The bonds are convertible any time before maturity or redeemed for common stock at $100 par value of stock for $100 of bonds.

Invincible.—Income account for 6 months to June 30 shows:

Total income	$5,464,118
Exp., int., etc.	688,944
Net before depr. & depl.	$4,775,174
Minority interest	514,152
Surplus	$4,261,022

The company has outstanding $17,900,500 stock, par $50.

White Oil.—Earnings of $2.25 a share for the quarter ended June 30 last, or $1,417,731 before depletion, but after all royalty and interest deductions were reported by the company on the 630,000 shares outstanding. As present production exceeds that in the second quarter, third quarter earnings will be materially increased. June daily production averaged 5,502 bbls., and for July to the 15th increased to 6,459 bbls.

UNLISTED NOTES

Middle States.—Operations are progressing favorably, according to Pres. Saklatvala, and the company's earnings are running higher than at any previous time this year and far in excess of dividend requirements. Gross production is 15,000 bbls. a day, in Oklahoma, Texas and Louisiana.

Phillips Petroleum.—New producing acreage was opened by the company by the completion of recent wells in the Florence district of Kansas, in Stephens County, Texas, in another 640-acre tract in Kansas, and in Kentucky.

The company reports for the 5 months ended May 31, net earnings of $2,181,501.

Producers and Refiners.—6 new wells, adding 3,000 bbls. initial daily production in the Beggs Field, Okla., have recently been brought in by this company.

Royal Dutch. — Income account for 1919 compares:

	1919 florins	1918 florins
Total income	118,269,391	96,677,144
Taxes, expenses, contr. oblig., etc.	18,169,508	24,486,833
Bal. for div.....	100,099,883	72,190,311

During the year fields acquired in north-central Texas did not yield the results anticipated, but output of the Oklahoma properties increased materially. The company's Jennings properties are yielding 6,000 bbls. a day.

The expansion of the company's fleet has been considerable. Present carrying capacity is 544,669 tons, against 263,746 tons a year ago. Extensions are still being made.

Sapulpa Refining.—A substantial increase in earnings of the company has recently taken place. For the first quarter of this year Pres. Wickett announced that net after normal charges for depreciation amounted to $203,459. For June net earnings after depreciation were $140,000 and for July net earnings should be about $160,000, or at close to $2,000,000 a year. The present 10% dividend calls for $300,000 per annum.

The company is now showing results from the extensions, improvements and development work carried out the past year since increasing its outstanding capital from $2,000,000 to $3,000,000. Recently a wax and lubricating plant at the Sapulpa, Okla., refinery was completed.

Simms Petroleum.—A deficit of $93,829 for the year ended April 30, 1920, on operations, was reported by the company. Pres. Simms states that when the company was organized it had undeveloped leaseholds of 424,000 acres, since increased to 560,000 acres. During the year the company completed 34 wells in Texas and Louisiana and is now drilling three in Texas, 23 in Louisiana and one in Oklahoma. Only six of the wells drilled during the year proved non-producing.

Sinclair.—Earnings of $4.13 a share in 6 months to June 30 last, or $15,542,676 after charges and Federal taxes, were reported by the company on the 3,757,593 shares outstanding.

Standard Oil of N. J.—An increase in outstanding capital of the company from $75,000,000 to $225,000,000, and a stock dividend to shareholders of 200% is reported. A meeting to ratify the plan is called for early in September.

The corporation's earnings in the last year from its sales subsidiary which markets gasoline and oil in New York and New England district have been large.

Tide Water Oil.—Earnings of $20.60 a share for 6 months to June 30 last, or $6,804,278 after charges and taxes on $33,087,000 stock were reported by the company, against $5,937,583, or $17.94 a share in the same 1919 period.

Brompton Pulp & Paper. — Gross profits of $945,285 accrued to the company in the 6 months ended April 30, 1920, against $517,355 in 1919, an increase of 84%. Net profits after fixed charges but before depreciation, were $873,830, against $413,118, and surplus after pfd. and common dividends was $593,830.

These earnings are at the rate of $11.45 a share on the new stock. Provision must be made later for depreciation, taxes, etc.

Fairbanks Co.—Sales showed a good gain for June, being $2,279,848, compared with $1,138,652 a year ago. For the 6 months to June 30, 1920, sales were $12,126,518, against $5,859,453 for the same period in 1919.

Grant Motors.—Common Dividend Omitted.—Operations 35% — President Shaw announced that directors, deeming it advisable to conserve cash, had passed the common dividend due Aug. 1. The preferred dividends will be paid as usual.

He also stated that the company at present is running about 35% to 40% of the normal 45 cars per day production. Within a short time it is expected production will be materially increased.

Weber & Heilbroner.—An increase in common stock from 125,000 to 250,000 shares, all no par, was made by the company on July 20. Common and pref. stockholders had the right to subscribe at $12.50 per share for 53,000 shares of new common stock, to 40% of their holdings, making 175,000 shares outstanding. The pref. stock remains at $2,000,000 authorized and $750,000 issued.

Wrigley (Wm.)—July sales were a record, the company reported, being the largest for any month in the company's history. Net profits for the 6 months to June 30 were about the same as a year ago.

Important Dividend Announcements

To obtain a dividend directly from a company, the stock must be transferred into the owner's name before the date of the closing of the company's books.

Ann. Rate	Name	Amt. Declared	Paid to Stock of Record	Div. Payable
7%	Acme Tea, 1st p..	1¾ %Q	8-20	9- 1
....	Am Br S & F, c ext.	$2.00	8-20	8-31
7%	Am Smlt & Refi, p.	1¾ %Q	8-13	9- 1
4%	Am Smlt & Refi, c.	1 %Q	8-20	9-15
....	Amer Tobacco, c..	d3 %	8-14	9- 1
....	Amer Tobacco, c B.	d3 %	8-14	9- 1
....	Armour Le ($15), c.	30c	8-14	9- 1
20%	Atlantic Refin, c...	5 %Q	8-21	9-15
....	Atl Sug Ref, p ext.	m28%	8-20	9- 1
....	Bd & Mtg Gte, ext.	x20 %	8- 9	8-30
$4	Bos & Maine, p...	$2.00 S	8-16	9- 1
8%	Brit-Am Chem, p...	2 %Q	8-16	8-25
10%	Brit-Am Chem, c...	2½ %Q	8-16	8-25
....	Br-Am Che, c st d.	e5 %	8-16	8-25
6%	Bri-Col Fish & Pk.	1½ %Q	8-10	8-21
7%	Brown Shoe, c......	1¾ %Q	8-21	9- 1
$8	Buckeye P L ($50).	$2 Q	8-23	9-15
4%	Can Pac, p........	2 %S	8-21	10- 1
10%	Can Pac, c........	2½ %Q	8-21	10- 1
7%	Cen Ark R & L, p.	1¾ %Q	8-16	9- 1
....	Cit S, bks s (no par).	42c	8-15	9- 1
$2	Clev & P, s g ($50)..	50c Q	8-10	9- 1
$3.50	Cle & P, rg g ($50).	87½c Q	8-10	9- 1
7%	Consolidated Gas...	1¾ %Q	8-11	9-15
10%	Coombs, H L, Ld, p.	5 %S	8- 7	8-21
35c	Cosden & Co, p...	8¾c Q	8-16	9- 1
....	Cramp, W. & Sns ext..	x150%	8-10	9-10
$3	Cres Pp Ln ($50).	75c Q	8-24	9-15
4%	Cripple Crk Cent, p.	1 %Q	8-15	9- 1
7%	Deere & Co, p....	1¾ %Q	8-14	9- 1
9%	Del & Hudson.....	2¼ %Q	8-28	9-20
8%	Detroit United Ry.	2 %Q	8-16	9- 1
12%	Dom Oil, Tex ($10)	1 %M	8-10	9- 1
7%	Elec Investment, p.	1¾ %Q	8-11	8-21
6%	Federal Utilities, p.	1½ %Q	8-14	9- 1
8%	General Chemi, c..	2 %Q	8-20	9- 1
6%	Harb-Walk Refr, c.	1½ %Q	8-20	9- 1
7%	Hartman Corp.....	1¾ %Q	8-18	9- 1
7%	Indian Refining, p.	1¾ %Q	9- 8	9-15
20%	Indian Refining, c.	5 %Q	9- 8	9-15
7%	Int'n'l Cot Mills, p.	1¾ %Q	8-16	9- 1
12%	Int Cot Mls, c ($50).	3 %Q	8-16	9- 1
....	Int'l Har, c stk div.	e12½ %	8-20	9-15
6%	Lanston Monotype..	1½ %Q	8-21	8-31
12%	Lig & Myers Tob, c.	3 %Q	8-16	9- 1
12%	Lig & Myers Tb, c B	3 %Q	8-16	9- 1
10%	Manati Sugar, c...	2½ %Q	8-17	9- 1
$1.75	Manht Shirt, c($25).	43¾c Q	8-20	9- 1
10%	Merrimac Mfg, p..	2½ %S	7-29	9- 1
8%	Merrimac Mfg, c..	2 %Q	7-29	9- 1
$1.20	Mich Sug, c ($10).	30c Q	....	9- 1
7%	Minn Sugar, p....	1¾ %Q	8-15	9- 1
10%	Minn Sugar, c....	2½ %Q	8-15	9- 1
7%	National Lead, p...	1¾ %Q	8-20	9-15
6%	National Lead, c...	1½ %Q	9-10	9-30
7%	Nebraska Power, p.	1¾ %Q	8-20	9- 1
8%	Niles-Bem-Pond, c..	2 %Q	9- 1	9-20
7%	Pittsburgh Steel, p.	1¾ %Q	8-14	9- 1
7%	Pitts, Ygst & Ash, p.	1¾ %Q	8-20	9- 1
12%	Porto Rican Am Tb.	d3 %Q	8-20	9- 2
8%	Pressed Stl Car, c..	2 %Q	8-18	9- 8
$8	Rockhill Cl & Ir, p.	$2.00 Q	8-21	9- 1
6%	Savage Arms, 2nd p.	1½ %Q	9- 1	9-15
6%	Savage Arms, c....	1½ %Q	9- 1	9-15
....	Schulte Ret Stor, c.	e50%	8- 9	8-24
8%	Seamans, RE, Co, p	2 %Q	8-16	8-31
4%	Seamans, RE, Co, c.	a1 %Q	8-16	8-31
7%	Sthwest Pr & Lt, p.	1¾ %Q	8-14	9- 1
7%	Spald, AG & Br, 1 p	1¾ %Q	8-18	9- 1
6%	Standard Mill, p...	1½ %Q	8-21	8-31
8%	Standard Mill, c...	2 %Q	8-21	8-31
....	Stand Mill, c ext...	2 %	8-21	8-31
10%	Stand Oil of Cal...	2½ %Q	8-14	9-15
....	Std Oil of Cal, ext.	1 %	8-15	9-15
12%	Stand Oil of Ind..	3 %Q	8-16	9-15
....	Std Oil of Ind, ext.	5 %	8-16	9-15
7%	Studebaker Cp, p.	1¾ %Q	8-10	9- 1
7%	Studebaker Cp, c..	1¾ %Q	8-10	9- 1
$2.00	Sup Oil (no par)..	50c Q	8-23	9- 1
18%	Tex Chf Oil ($10)	1½ %M	8- 5	9- 1
7%	Timk Det Axel, p.	1¾ %Q	8-20	9- 1
7%	Un Ci S of Am, p.	1¾ %Q	8-31	9-15
7%	Vn Raalte C, 1st p.	1¾ %Q	8-16	9- 1
$7.00	Vn Rlte, 2 p (no p)	$1.75 Q	8-16	9- 1
7%	Welch Grp Jce, p.	1¾ %Q	8-20	8-31
$3.00	Welch Grp Jce, c.	75c Q	8-20	8-31
8%	W Ind Sug, Fin, p.	2 %Q	8-15	9- 1
7%	W Ind Sug, Fin, c.	1¾ %Q	8-15	9- 1
6%	White, JG & Co, p.	1½ %Q	8-16	9- 1
7%	White, JG Eng, p.	1¾ %Q	8-16	9- 1
6%	White, JG, Eng, c.	1½ %Q	8-16	9- 1
....	White, JG, E, c ext.	6 %	8-16	9- 1
7%	White, JG, Mgt, p.	¾ %Q	8-16	9- 1
6%	Windsor Htl (Can.)	1½ %Q	8-21	9- 1
8%	Woods, Mfg. Ltd, c	2 %Q	8-24	9- 1

a Initial dividend.
d Payable in scrip.
e Payable in common stock.
m On account of accumulations.
x Payable in stock.

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